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FINANCIAL TIMES

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CABORA BASSA
Rebels keep energy giant asleep
Page 16

World News

Mobutu hosts bid to restore cease-fire in Angola

South Africa's acting President, F.W. de Klerk, and Zaire's President Mobutu meet today to try to restore an Angolan cease-fire which collapsed when Unita rebels announced they had resumed fighting. Page 16

Colombian drugs
President Barco faced new threats to his fight against Colombia's cocaine industry as drug barons hit back, burning houses of prominent people and bombing the offices of two political parties. Page 16

France moves ships
France said only one vessel in its five strong naval task force would be allowed nearer to the Lebanese coast than 300km. Page 3

Noriega stays
Bush administration attempts to enlist Latin American support for the removal of General Manuel Noriega, Panama's military ruler, appears to have failed. Page 4

Zambia raises prices
Zambia raised the consumer price of the country's staple food, maize meal, by 60 per cent in a programme to cut its budget deficit. Page 3

UK interest rates
Nigel Lawson, UK Finance Minister, said interest rates would remain high until inflation is under control. Page 16

Cambodians clash
Fighting between rival Cambodian factions flared along the Thai-Cambodian border while Vietnam and Cambodia rejected a role for the Khmer Rouge in any settlement in peace talks in Paris next week.

Rocard Tahiti trip
Pro-independence and anti-nuclear demonstrators blocked a bridge in Tahiti before France's Prime Minister, Michel Rocard, as he arrived for a visit to French Polynesia.

Iran drug arrests
Iran arrested dozens of people involved in a multi-million-dollar racket selling scarce government-supplied drugs and medicines to the black market.

Turkey reforms jails
Turkey's Justice Ministry unveiled far-reaching reforms for the country's prisons after two prisoners died in hunger strikes last month.

Falklands talks
Senator Eduardo Menem, brother of Argentine President Carlos Menem, will hold talks in London on September 1 with British members of Parliament on the Falkland Islands, over which Britain and Argentina went to war in 1982.

Philippine bases
Twelve Philippine senators called for closure of US military bases in 1991 when the leases expire. Page 3

R. D. Laing dies
British psychiatrist R. D. Laing, famous for his popular books on family relationships and schizophrenia, died of a heart attack in Saint Tropez.

Whale of a day trip
Conservationists trucked 10 stranded pilot whales across New Zealand's narrow northern-tip to save their lives after a school of 45 were washed ashore on a west coast beach.

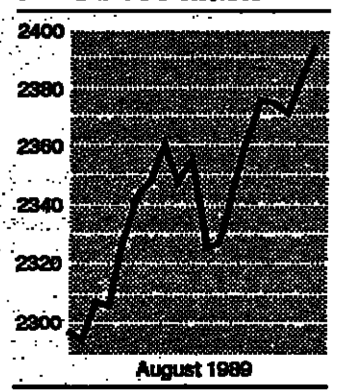
Business Summary

Ericsson and GE link for mobile phone market push

Ericsson of Sweden and General Electric of the US joined forces to assault the world's fast-growing mobile communications handset market.

Ericsson, already the world's largest manufacturer of infrastructure for cellular systems, is pooling about half its mobile communications interests with all GE's activities in the area. The new venture will be owned 60 per cent by Ericsson and 40 per cent by GE. Page 17

FT-SE 100 index tried three times to establish itself above the 2,400 mark, but closed just short of this level at 2,393.1, a gain of 10.7 on the day. Markets Page 38



HONDA, Japan's third largest motor group, said consolidated net profit tumbled 41.6 per cent to Y15.1bn ($105.6m) in the three months to June. Page 17

FIAT, Europe's biggest car maker, is expected to decide this autumn whether to locate in the UK a £1bn ($1.57) plant to produce cars of similar size to its Tipo hatchback. Page 3

NEWS International, Rupert Murdoch's worldwide holding company, said pre-tax profits for the year to June 30 fell to £20.6m ($32.3m) from £88.2m while Sky TV lost £75m in its first five months. Page 17

BASF, West German chemicals group, reported a 28 per cent jump in pre-tax profits to DM2.2bn ($1.12bn) for the first six months of 1989. Page 19

MANNESMANN, West German diversified engineering and steel group, lifted net profits by 28 per cent in the first half of this year to DM179m ($94m) and said it expected the improvement in sales and earnings to continue. Page 19

EAST Asiatic, Danish trading, transport and consumer goods group, said first half profits rose 32 per cent to DKr253m ($33.5m).

RENISON Goldfields Consolidated, 49 per cent-owned Australian affiliate of Consolidated Gold Fields of UK, reported record annual profits of A$100.4m ($77m), double last year's figure. Page 20

KLEINWORT Benson, UK merchant bank, unexpectedly sold its Australian subsidiary to Security Pacific Australia, Los Angeles-based banking group, as part of a move to put more emphasis on Europe. Page 19

BRIERLEY Investments: Sir Ron Brierley is to step down in January as chairman of the New Zealand investment group after 30 years to concentrate on new worldwide investment strategies. Page 20

SONY, Japanese consumer electronics maker, raised earnings expectations for the year to Y95bn ($669m) after a 44.2 per cent increase in consolidated net income for the first quarter to June. Page 20

GREEN CROSS, largest Japanese plasma derivatives company, showed a 31.7 per cent fall in pre-tax profit to Y2.16bn ($15.2m) in the first half to June. Page 20

Bass acquires US Holiday Inns network for $2bn

By David Churchill, Leisure Industries Correspondent, in London

BASS, the UK brewing, hotels, and leisure group, yesterday became the world's largest hotels operator by buying the US Holiday Inns hotel chain from the Holiday Corporation for almost $2bn.

The move brings Bass nearly 1,400 hotels (with 266,000 rooms) in the US to add to its existing hotel portfolio. It already holds most of the Holiday Inn hotels outside the US – acquired over the past two years in deals totalling £330m ($518m).

Mr Ian Prosser, Bass chairman, said last night that the deal made "Bass owner of the largest hotel chain in the world and represents a substantial move forward in the Bass strategy of becoming international in each of its core businesses."

The Holiday Inns business – based on providing good basic accommodation for a growing number of business and leisure travellers – was founded in Memphis, Tennessee, in 1952. It grew rapidly in the 1950s and 1960s with the expansion and improvement of the US highway system and its successful formula has since been copied by many other operators.

The company now holds about 10 per cent of the overall US lodgings market and a quarter of the country's mid-priced sector.

Bass is no stranger to the hotels industry, having operated some hotels in the UK and in continental Europe for the past 20 years. In 1987 it set its sights on the potential of the hotel accommodation business world-wide, looking forward to big growth in demand as a result of increasing business and leisure travel.

It acquired the rights to 165 Holiday Inn hotels outside the US from Holiday Corporation for £290m and followed this up earlier this year by paying £142m of 32 Holiday Inns in Canada.

Mr Prosser is understood to have been keen for some time to take in the US Holiday Inns operation to give Bass one world-wide brand to exploit. Its decision is likely to have accelerated by the uncertainty over the future of the brewing industry as a result of the recent Monopolies and Mergers Commission report, the UK Government watchdog.

However, while Bass and the other leading brewers have avoided an extensive shake-up with the agreement with the Government on the future of tied houses, the potential offered by a world-wide hotel chain was too great for Bass to pass up the deal.

There has been speculation that Holiday Corporation has been looking for a buyer for the bulk of its hotels for some time to ease the debt burden resulting from large dividend pay-outs in the mid-1980s.

The City of London did not appear over-impressed by the Bass deal yesterday, with the company's shares being marked down 43p by the close to 1104p. Analysts expressed concern over the amount of debt being acquired.

The $1.98bn Bass is paying for the US chain includes just $125m in new Bass ordinary shares – the rest reflecting the refinancing of Holiday Corporation debt amounting to $1.855bn.

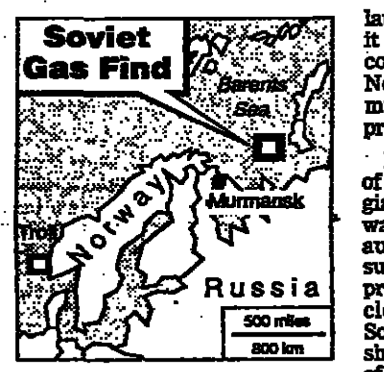
Lex, Page 16. Holiday package for brewer, Page 17

Soviets discover 'world's largest offshore gas field'

By Karen Fossli in Oslo and **Max Wilkinson** in London

A GAS FIELD thought to be five or six times larger than the whole of Britain's North Sea gas reserves has been discovered by the Soviet Union, according to reports from Oslo.

The discovery, in the Barents Sea about 250 miles north-east of the Arctic port of Murmansk, is thought likely to be the world's largest offshore gas find, perhaps twice the size of the Norwegian Troll field.



However, the remote location of the field, in hostile waters covered with ice for much of the year, raises questions about how soon it could be economically developed, particularly in view of the Soviet Union's very large onshore gas resources.

Mr Ostap Sheremeta, a senior official in the Soviet Ministry of Oil and Gas, yesterday confirmed, during a visit to Norway, the discovery of a large gas field. He said three test wells had been drilled in the area which he called Shtomanovskaya, but he gave no further details.

Mr Helge Ole Bergesen, Senior Fellow at the Fridtjof Nansen institute, Oslo, said he had been told of the find during a visit to Moscow last week. "They are talking of a find between three trillion (million million) and four trillion cubic metres," he said.

Compared with the Soviet Union's total reserves of about 42.5 trillion cubic metres, the latest find may seem small, but it could be about equal to the combined proven reserves of Norway and the UK or as much as half North America's proven reserves.

Mr Sheremeta's confirmation of the discovery at a Norwegian oil conference yesterday was not welcome news for his audience. With potential gas supplies much larger than its present market, Norway is in close competition with the Soviet Union for an increased share of European and possibly of US markets.

Mr Bergesen said the Soviet Union might find a local market for some of the gas near Murmansk, with possibilities for export to Sweden and Finland. Although a pipeline to Scandinavia would be a considerable undertaking, it was well within the Soviet Union's capability – being much shorter than the pipeline from the Siberian gas fields to Western Europe.

Australian aviation dispute deepens as 1,600 pilots resign

By Chris Sherwell in Sydney

AUSTRALIA's domestic aviation dispute deepened further yesterday when 1,600 pilots resigned en masse in a bid to forestall legal action by their airline employers.

The mass resignation followed the airlines' decision to issue court writs for damages against some pilots. With domestic flights grounded, the impasse has left thousands of travellers seeking alternative means of transport around the continent. Some have resorted to flying 1,200 miles to New Zealand and back just to hop from one Australian city to another.

Some international carriers are helping in a limited way to move people between the main state capitals, but Qantas, Australia's own international airline, has been stymied by its own pilots' preparedness only to carry domestic passengers for compassionate reasons.

Efforts to draft the help of the Royal Australian Air Force were also held up yesterday by unsettled issues of passenger insurance and ticketing. The air force has available a number of passenger aircraft, including Boeing 707s.

In London, the International Federation of Air Line Pilots Associations promised to back their Australian colleagues and said it was holding urgent consultations to ensure that its 70,000 members opposed any moves by their airlines to carry passengers on internal Australian routes.

The dispute springs from a 29 per cent pay claim by the Australian Federation of Air-line Pilots, who continue to insist that all they wish to do is negotiate directly with the airline employers – Ansett and Australian Airlines.

Last Friday the pilots started working from 9 am until 5 pm daily. On Monday they refused to resume normal working, and the Industrial Relations Commission cancelled the federation's industrial agreements. The airlines then gave individual pilots 24 hours to re-commence normal work, an order they also ignored.

The airlines started suspending pilots and grounding flights on Wednesday. Yesterday, when they started seeking writs, the pilots – clearly expecting the move – responded promptly and spectacularly with their mass resignation.

The legal position is complex, but the pilots are judging that, by resigning, their liability can be reduced. Those of the airlines, ironically, might be increased if they are forced to pay out pension obligations.

The dispute is without parallel in Australia's aviation industry, and is beyond the experience of most participants in the country's generally arcane industrial relations.

Solidarity members of Parliament voting overwhelmingly for Prime Minister Tadeusz Mazowiecki in Warsaw yesterday

Mazowiecki wins overwhelming vote as Premier

By John Lloyd in Warsaw

MR Tadeusz Mazowiecki was yesterday confirmed as the first non-Communist Prime Minister to be installed in Eastern Europe since the Second World War with an overwhelming vote by Poland's parliamentary deputies and to a message of congratulation from Moscow.

The vote in the Sejm, (Poland's lower house of parliament) was 378 votes to four in favour of Mr Mazowiecki, with 41 abstensions.

In an occasion marked by speeches from all sides pledging support for a new, Solidarity-led government, Mr Mazowiecki told parliament: "We must change the philosophy of the state."

He told the deputies that he intended to create a state governed by the law, in which private enterprise would be released and encouraged to flourish through a withdrawal of the state from economic management, and in which the media would become pluralistic and Polish economic problems had to be "solved by Poles alone."

Immediately after the parliamentary confirmation, Mr Mazowiecki said he was going to telephone the Pope, and Mr Lech Walesa, the Solidarity leader.

The nature of the occasion was caught by Professor Bronislaw Geremek, the Solidarity leader in the Sejm: "For the first time in 45 years a Polish government on Polish ground is to be formed by a non-Communist Prime Minister," he said.

The leader of the Communist group, Mr Marian Orzechowski made a conciliatory speech – encouraged no doubt by Mr Mazowiecki's guarantee that Poland would respect its membership of the Warsaw Pact.

"The Polish United Workers Party [Communist] Parliamentary Group," he said "welcomes the decision of the president [to appoint Mr Mazowiecki] with good wishes and understanding."

In Moscow last night, the Soviet Government issued its first formal declaration of approval for Mr Mazowiecki's appointment by sending him a message of congratulations.

Tass, the Soviet news agency, said the short message was delivered by the USSR Council of Ministers, which expressed confidence "that the traditional relations of friendship and all-round co-operation

Continued on Page 16
Background, Page 2

Japanese cabinet shaken by further sex scandal

By Ian Rodger in Tokyo

The Japanese people woke up yesterday to read and hear about the second sex scandal to rock their Government in two months.

Mr Tokuo Yamashita, Chief Cabinet Secretary in the two-week-old Administration of Prime Minister Toshiki Kaifu, confirmed the substance of a magazine report that he had conducted a three-year affair with a young bar hostess until September, 1987.

He also confirmed that two weeks ago, when he knew he was being appointed to the new Cabinet, he met and gave her an envelope containing Y3m ($21,000) in cash.

However, it seems she took offence, returned the money and told her story to the magazine.

In Japanese public life it is not unknown for a prominent man to offer large payments to former mistresses and other dubious former associates to ensure their silence on his past indiscretions. This is held to be one of the main reasons why – until this year – sex scandals in Japanese politics had rarely, if ever, caused governments or ministers to topple.

The Yamashita affair underlines at least two significant changes in contemporary Japanese attitudes. One is that Japanese women are much less inclined silently to accept the exploitation to which they have been subject over the years.

The other is that the Japanese press is no longer as docile as it was. Even the leading establishment newspapers now compete for sensational stories, a preserve once mostly confined to not always reputable magazines.

The ruling Liberal Democratic Party is still reeling from two previous scandals, mainly the Recruit affair in which bribes were given for political favours affair, but also the disclosure in a newspaper in late June that the then Prime Minister, Mr Sousuke Uno, had had an affair with a part-time geisha. (It is widely believed that the affair came to light because Mr Uno was too careless or stingy to pay off the woman involved when he became Prime Minister).

Largely as a result of the scandals, public support for the LDP has collapsed in recent months and the party suffered a crushing defeat in elections to the upper house of the Diet (Parliament) last month.

Continued on Page 16

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.574	New York lunchtime: DM1.954 FFr6.5935 SFr1.685 Y143	FT-SE 100: 2,393.1 (+10.7)
London: $1.57 (1.5705) DM3.075 (3.0725) FFr10.3775 (10.3625) SFr2.65 (same) Y225 (same) £ index 91.3 (91.2)	London: DM1.9585 (1.9565) FFr6.61 (6.5975) SFr1.6885 (1.6875) Y143.2 (same) $ index 71.5 (71.3) Tokyo close: 143.8	FT Ordinary: 1,977.9 (+2) FT-A All Share: 1,210.39 (+0.4%) FT-A long gilt yield index high coupon: 9.38 (9.37)
GOLD New York Comex Dec $370.7 London: $362.25 (364.25)	US LUNCHTIME RATES Fed Funds 9% 3-mo Treasury Bills: yield: 8.22% Long Bond: 99⅜ yield: 8.17%	New York lunchtime: DJ Ind. Av. 2,711.5 (+33.38) Tokyo: Nikkei 34,766.55 (-106.73)
N SEA OIL (Argus) Brent 15-day Sep. $17.075 (17.2) Chief price changes yesterday: Page 23		LONDON MONEY 3-mo interbank close: 13⅞% (same)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

E German refugees given safe passage to West

By Leslie Colitt in Berlin

MORE THAN 100 East Germans were yesterday given free passage into the West from their refuge inside the West German embassy in Budapest under an agreement between Hungary and West Germany.

Both sides said yesterday the arrangement was unique and could not serve as a precedent.

West German officials later confirmed that 108 East Germans who had been in the embassy for nearly two weeks seeking safe passage had arrived at a refugee camp in West Germany via Austria.

A spokesman for the Hungarian Communist Party said high-level negotiations were continuing between Hungary and West Germany aimed at solving the problem of the thousands of East Germans who remained in Hungary and wanted to escape to the West via Austro-Hungarian border.

Dr Istvan Degen, a spokesman for the central committee in Budapest, said the talks looked "promising" but he gave no details.

Dr Degen said Hungary did not want to serve as a "bridge" for people wanting to escape to the West. The two German states, East and West, would ultimately have to solve the problem.

An official of the West German Foreign Ministry said he was not aware that the talks were close to a solution for the several hundred East Germans in Budapest who were trying to get to the West.

A key issue in the negotiations is understood to be the recent adoption by Hungary of the Geneva Convention on Refugees. After its expected ratification next month by Parliament, Hungary could apply the Convention to would-be East German refugees.

West German officials said that it was a question of getting the Hungarians to agree with Bonn's view that the East Germans faced political persecution if they were sent back.

The agreement to let out the East Germans in the Budapest embassy was the result of recent talks with the Hungarian Government by Mr Jürgen Sudhoff, State Secretary in the Bonn Foreign Ministry.

Their passage to the West also involved the International Red Cross, as well as the Hungarian Red Cross which helped transfer the East Germans by bus across the border to Austria.

Although the Budapest embassy was emptied of refugees, West German officials could not say when it was likely to reopen. It was closed on August 14 when the building could accommodate no more asylum-seekers.

The East German news agency ADN yesterday blasted the Western media for an alleged "campaign of slander" against East Germany and its citizens over the escaping East Germans. It denied West German newspaper reports that East Germany was planning to stop its citizens travelling to Hungary.

A further 250 East Germans crossed into Austria from Hungary on Wednesday night, leaving behind virtually all their possessions in tent villages where they planned their escape.

FREEDOM DASH: Clutching one small bag of belongings, an East German runs across the Hungary-Austria border

Gonzalez ready to switch off Spain's television monopoly

MOST POLITICIANS in power would be loath to break up a television monopoly under safe government control, but Spain's Socialist Premier, Mr Felipe Gonzalez, is about to do just that.

Five groups competing for three 10-year commercial television concessions are likely to know today whether they have gained or lost the proverbial licence to print money. Even a small slice of Spain's television cake is a magnificent mouthful for advertising revenue last year totalled Pta180bn (£870m).

Mr Gonzalez, many of whose friends and party stalwarts were installed by him to run the national Radio Television Espanola (RTVE) network, has delayed the decision as long as possible.

In a country that has the lowest newspaper readership public in the European Community and where as many as 80 per cent of the population receive the political opinions almost exclusively from the television screens, the Premier's reticence can be understood.

The Prime Minister has delayed the decision as long as possible, but is now about to award three commercial licences, writes Tom Burns in Madrid

The monopoly was a cornerstone of General Franco's grip on Spain and its break up stems from a 1982 ruling by the Constitutional Court which upheld private television as a consequence of the constitution's guarantees on freedom of speech.

Mr Gonzalez, who came to power later that year, took five years to draw up a private television bill. It was only at the beginning of this year that a government authority, modelled on Britain's Independent Broadcasting Authority (IBA), was set up to review the syndicates which were willing to enter the private television fray.

The tenders were sealed and delivered midway through May and again the Prime Minister appeared to be dragging his feet. The award of the three licences, as laid down by the 1987 television bill, was widely expected during July, but Mr Gonzalez left for his August holiday apparently unable to make up his mind who would be the lucky recipients.

Government sources said, however, that a decision, "a decision taken by the Prime Minister alone after hearing the opinions of all his ministers during July," would be taken today when the cabinet meets for the first time after the August break.

In addition to losing a power mechanism through the deregulation, Mr Gonzalez faces the obvious problem of angering at least two groups by denying them the commercial television spoils.

Can he afford to prefer Barcelona's La Vanguardia newspaper group to Madrid's El País? Can he favour Italy's Mr Silvio Berlusconi over Mr Rupert Murdoch or Banco Bilbao Vizcaya over Banesto and Banco Central? What if he leaves out a powerful Catalan syndicate which is known to be prickly about Madrid's attitudes to Catalonia?

Part of his delaying tactics have been in pursuit of the, eventually vain, hope that the five groups would agree among themselves to form just three tenders and so make it unnecessary for him to have to choose.

Arguably the best-positioned group is Antena Tres, called after a successful Madrid radio network, that holds a 7 per cent stake in the [illegible]. The main single shareholder is the Barcelona newspaper La Vanguardia whose printing company, TISA, owns 18 per cent of the equity and foreign investors, represented by Dillon Read and Fidelity International among others, own a further 20 per cent.

The remainder of Antena Tres's initial capital of Pta10bn (£52m) belongs to a 16-strong group of Spanish magazines and regional newspapers and to a motley assembly of domestic companies and institutions that ranges from the Zaragoza savings bank to porcelain-maker Lladro.

A group that calls itself Tele 5 is a second likely recipient of a licence thanks to the 25 per cent stake held in it, the most permitted to a foreigner, by the Italian television mogul Silvio Berlusconi who has patiently been courting Mr Gonzalez, the Premier's political allies and the Spanish public for the past two years.

The large Spanish educational company Anaya also owns a 25 per cent stake in Tele 5 and so does ONCE, which is somewhat surprising since this wealthy charity organisation caters for the needs of the blind in Spain.

The third frontrunner is Canal Plus in which the French channel of the same name has a 25 per cent stake, as has PRISA, the company that owns Spain's best-selling newspaper El Pais and its biggest commercial radio station, Cadena SER.

Canal Plus, in its Spanish version, will raise its initial Pta8bn capital to Pta10bn if it gains a licence and it has powerful minority shareholders including Banco Bilbao-Vizcaya and the March family financial group, which own 15 per cent stakes each.

One of the five competing groups, Canal C which has been put together by a 25-strong group of wealthy businessmen in Catalonia and intends to broadcast partly in Catalan, is believed now to have only an outside chance of a licence. Interest really focuses on the dark horse of the field, Univision, a syndicate in which Mr Rupert Murdoch's News International has a 25 per cent stake.

Mr Murdoch's Spanish allies are as solid as can be found for such a venture. Grupo Zeta, a strong newspaper and magazine empire that publishes the weeklies Tiempo and Interviu among other titles, has 25 per cent of Canal C. The oil companies Petromed and Cepsa, respectively controlled by Banesto and Banco Central, and an independent television production company called Tesauro, which is [illegible] by the financial group [illegible] Capital owns a further 40 per cent.

Those who win licences will have to adhere to strict guidelines. Advertising will not be allowed to exceed 10 per cent of the total programming time, a minimum of 40 per cent of the production must be Spanish, and at least 10 per cent of it must be in-house and at least 50 per cent of the films shown must be EC productions.

Softening of jail regime in Turkey

By Jim Bodgener in Ankara

TURKEY'S Justice Ministry yesterday unveiled far-reaching reforms proposed for the country's prison regime, following hunger strikes in which two prisoners died last month.

The Ankara-based Human Rights Association immediately said they did not go far enough.

The reforms now have to be approved by the Council of State. The Justice Ministry said yesterday the reforms were being canvassed in order to bring Turkey's prison system into line with European and US standards.

However, they are clearly intended to allay the sharp criticism by human rights organisations such as Amnesty International, which has alleged in recent reports that torture is still endemic and systematically practised in Turkey's prisons. In addition they appear aimed at easing the passage of Turkey's application for full membership of the European Community.

The reforms in 13 articles of the prison code seem on the surface to go a long way towards meeting the criticism. On disciplinary punishment, they specifically rule out maltreatment, including handcuffs, straitjackets and chains – although these may still be used on transport or health grounds. Even solitary confinement is to be abolished.

According to the Human Rights Association the reforms do not address some of the main grievances of the prisoners, such as food, heating, communications and the supply of reading matter. The prison authorities still retain the right to censor reading material.

The hunger strikes ended over the weekend. They were prompted by the treatment and transfer of 230 political prisoners in Eskischir jail protesting against the introduction of a punitive regime following the discovery of two escape tunnels. The two prisoners died after the Eskisehir hunger strikers were transferred to another prison in the Aegean town of Aydin - from dehydration, according to the authorities, from beatings, according to the association and opposition politicians.

The punitive regime was instituted under the now infamous August 1 circular introduced last year, following a spate of jailbreaks by left-wing and Kurdish extremists when the Justice Ministry previously relaxed prison discipline.

FINE WORDS AND CODED MESSAGES IN POLAND'S PARLIAMENT

Mazowiecki calls all parties to the colours

By John Lloyd in Warsaw

TADEUSZ MAZOWIECKI came through a door to the left of the speaker and sat alone in a little pew in front of the semi-circle of Deputies. There was a little ripple of applause.

Opposite and above him, the empty presidential chair on the balcony with the Polish eagle before it. President Wojciech Jaruzelski, having nominated the country's first Catholic Prime Minister since the War, had left it to Parliament to confirm.

Mr Mikolaj Kozakiewicz, the Speaker, began with a droll look at his colleagues, saying: "Today we must dismiss an old [two-weeks-old] Prime Minister and appoint a new one." Some laughter. General Czeslaw Kiszczak, on his right, the old Prime Minister, smiled. Mr Kozakiewicz thanked him for his efforts to warm applause.

Then he rose to the occasion. "This is an historic day and we feel a responsibility before history. It is the beginning of a time unprecedented in our geo-political area."

He then read the letter to him from the President asking to accept the resignation of Gen Kiszczak and proposing Mr Mazowiecki. The latter sat, hunched as usual, looking ahead. Then he was called to the podium.

"We must," he said, "change the philosophy of the state." To do it, he repeated what is becoming his familiar call: "Only an open Government of all forces represented in Parliament and society can accomplish this task. The history of our country has started to accelerate. It happened because people no longer could abide the former method."

Much of his speech showed the influence of those Solidarity economists, such as Mr Witold Trzeciakowski, who are now pressing strongly for a liberal shock to the system.

"Our long-term aim is the restructuring of Poland's economy. Those institutions which have been blocked – such as the market – must be set free. The role of the state should be similar to that in the Western countries."

First measures on the economy would aim to balance the budget and attack inflation. The priority was to demonopolise the procurement of food, where the sclerotic state structure failed to deliver adequate produce to the shops.

"The Polish economic problem must be solved by Poles alone: we do not expect exceptional help from the West. But that does not mean that we are all alone. The world is watching the changes here and watching with new hope."

As important was the foundation of legality which people trusted. "For 45 years legal acts have been treated instrumentally and people did not believe in them." Only when the law was seen to be above the state and the party "would a Government find social acceptance and support." The media, too, would be pluralistic: only then could people expect to learn the truth.

This was heard in silence – a presumably approving silence, at least from his own side. Yet it was when he said "we understand the meaning of the Warsaw Pact, and I would like to state that the Government will respect it" that applause broke out, from the Communist benches. This was what they wanted to hear.

He ended: "We cannot do it alone. We must do it together." Then he returned to his pew.

Next came Mr Bronislaw Geremek, the leader of the Solidarity group, an historian and a fine speaker. Both qualities merged to produce a speech which resonated round the circular room.

"It is hard to underestimate the historic meaning of the decision we are about to take. For the first time in 45 years a Polish Government on Polish ground is to be formed by a non-Communist Prime Minister. The monopoly of one-party rule is to be broken; a monopoly which never had public acceptance."

Other leaders, too, had to have their say, including, crucially, Mr Marian Orzechowski, leader of the Communist parliamentary group. He recognised the historic nature of the proceedings. "It is a real breakthrough which is being made. All the world, East and West, is watching us closely. We cannot afford not to use this chance."

It was generous enough as far as it went, though there were a couple of little escape clauses, warning of future trouble.

The leaders of the Peasants and the Democrats parties then had their say, welcoming the new Prime Minister, but making sure that their claims for posts were heard. Then the vote: of the 423 voting, 378 approved, four voted against, 41 abstained. The first democratic Polish Prime Minister of modern times was in by the vote of his peers.

Soviet Union gives its formal blessing

By James Blitz in Moscow

THE SOVIET Government last night finally gave its formal approval to Solidarity's rise to power in Poland by sending Mr Tadeusz Mazowiecki, the country's new Prime Minister, a message of congratulations on his election.

And, on the same day, the government newspaper, Izvestia, undertook the difficult ideological task of printing the first interview given to the Soviet media by a Polish Prime Minister whose views are more-or-less antithetical to Communism.

According to the Tass news agency, the USSR Council of Ministers yesterday sent Mr Mazowiecki a congratulatory message, expressing confidence "that the traditional relations of friendship and all-round co-operation between the Soviet Union and Poland will continue developing on the basis of sovereign equality and respect."

Last night's edition of Izvestia grasped the nettle even more tightly by printing an interview with Mr Mazowiecki, in which he stressed that Polish-Soviet relations would be conducted henceforth in an altogether different manner.

"I would like to stress that we would like our relations to be dominated by ties between peoples and between states rather than offices, enterprises, parties and so on," he said. But he confirmed that Poland would "remain faithful to allied commitments stemming from our membership of the Warsaw Pact."

PARTNERS: Tadeusz Mazowiecki (left) yesterday with the Communist parliamentary leader, Marian Orzechowski

Soviet readers, however, will have been shocked to discover his political views, which are radical even by contemporary Soviet standards.

"The economic sphere must be free of ideological factors," he said. "It must serve man and his demands and not any stratum or group of people. In all society, pluralism must triumph. Of course, a government cannot just produce pluralism, but must create the conditions for it and encourage it."

When asked whether he would describe himself as a Socialist or a Social Democrat, he probably convinced Communist readers once-and-for-all that something extraordinary had happened in Poland.

"Above all, I am a Christian," he replied. "I am a Catholic governed by the social teachings of the church and of Pope John Paul II, which are for all peoples and in which there is nothing that could be called bad. This serves me as a good spiritual stimulus."

Leslie Colitt adds: Hungary's leaders said yesterday the coming to power of a non-Communist-led Government in Poland was proof of the need to transform their own party into a Western-style social democratic party.

Coverage of Poland in the East German media was conspicuous by its brevity and the absence of commentary. Czechoslovakia showed equal nervousness. Romania took a predictably hard line, saying the Polish move threatened East bloc unity.

EC worry on public procurement policy

By Tim Dickson in Brussels

LIBERALISATION of public procurement – part of the European Community's internal market programme – is likely to have adverse regional effects in construction, pharmaceuticals and textiles.

This is a preliminary conclusion of a Brussels investigation into the threats and opportunities presented by the single market in EC peripheral states.

The early results of the study are mentioned in a discussion paper from the European Commission on the regional and social aspects of public procurement.

It points to concerns expressed both in the European Parliament and in the Council of Ministers that internal market measures in this field should fully take into account "the needs of economic and social cohesion," and discusses various ways of addressing them.

The impact of completing the EC's procurement policy, the paper points out, includes increasing efficiency and thus reducing the burden on the public purse, promoting restructuring and adjustment, creating the opportunity for companies, sectors and regions to exploit their particular skills and advantages, and influencing the direction in which many companies, sectors and regions develop, "which may pose problems for economically weaker areas."

Among the accompanying policies which should be considered are those to facilitate restructuring and adjustment, and "those to ensure the full exploitation and development of particular resources" through such measures as preference schemes in favour of less favoured regions, non-discriminatory contract conditions (such as attaching the obligation to engage a given number of long term unemployed), and promoting the participation of small and medium-sized enterprises.

In discussing the economic effects of opening up public procurement, the Commission paper points out that savings through the selection of the most competitive suppliers are estimated at Ecu5.5bn (£3.7bn) in 1989 prices. Savings from increased competition leading to an alignment of domestic and external suppliers should amount to Ecu2.8bn, and savings from rationalisation of production structures could come to Ecu8.9bn.

● The EC will send 5,000 tonnes of olive oil to Poland before the end of the year as part of its $120m food aid package, Reuter reports. "The food's a drop in the ocean compared to our needs. But it's a gesture of goodwill and political support," a Polish diplomat said.

Farmers vent drought anger on minister

FRENCH farmers, furious over what they say is inadequate government aid for drought victims, pelted the car of the French Agriculture Minister, Mr Henri Nallet, with tomatoes, rotten eggs and exploding firecrackers yesterday, Reuter reports from Villefranche-de-Lauragais, near Toulouse.

About 250 farmers, held back by police with riot shields, greeted the minister with jeers and insults on his first stop during a day-long tour of this southern region, one of the worst affected by the drought.

"Nallet give us money," the crowd screamed as it bombarded the minister's car. None of the projectiles hit Mr Nallet.

The south of France is in the grip of the worst drought in 13 years and an estimated 300,000 farmers are expected to lose part or all of their crops or herds to the dry weather.

Mr Nallet came to explain the aid package of FFr580m (£56m) in loans and grants approved by the Government on Wednesday to help the worst-hit farmers. The aid package consists of special loans and emergency measures. Producers have dismissed the bail-out as grossly inadequate.

The minister's black limousine came under attack as it drove slowly through a sun-drenched square. Mr Nallet emerged unscathed to address local officials at the town hall.

While firecrackers burst against the windows of the town hall, Mr Nallet repeated that the rescue package was only a first step. "Our first priority is to help out those who have been worst hit. Then we will deal with the rest."

He also said he would meet farm representatives to examine whether some regions susceptible to drought should change the types of crops and livestock they produce.

Fugitive Greek banker loses extradition fight

MR GEORGE KOSKOTAS, the Greek banker at the centre of the fraud scandal that helped bring down the Socialist government of Greece, can be extradited from the US, a magistrate ruled yesterday, AP reports from Boston.

The court found that the offences Mr Koskotas faces merited extradition under a US treaty with Greece, particularly his alleged use of a fraudulent travel visa.

The ruling clears the way for the State Department to send Mr Koskotas, 35, back to Greece, but his lawyers were granted a stay to prepare an appeal.

Mr Koskotas is accused of embezzling $200m by placing Bank of Crete funds in his own accounts. He maintains he acted with the approval of Mr Andreas Papandreou, the former Prime Minister, and put the money into accounts controlled by the premier's party.

Good times arrive at last for Irish tourist industry

The country has waited a long time to realise its holiday potential, writes Kieran Cooke

AFTER YEARS in the doldrums, Ireland's tourist industry has finally taken off. Last year more than 2.4m tourists came to Ireland. In the first six months of this year tourist arrivals increased by 17 per cent. The Government is now confidently predicting that its ambitious target of bringing 4.2m visitors per year to Ireland by 1993 will be achieved.

The signs of the boom are everywhere. German cyclists, legs like Black Forest pine, grittingly weave along windswept roads in the west of the country. Crowds of Dutch tourists sing and sway in the pubs. French families sit in hotel dining rooms, peering into bowls of brown soup.

The tourist influx is good news for the Government of Mr Charles Haughey. It has set tourism as one of the key growth areas in the Irish economy. After agriculture and manufacturing, tourism is Ireland's third largest industry.

Plans are to not only double tourist numbers over a five-year period to 1992, but also to increase employment in the industry from present estimated levels of 70,000 to nearly 100,000, thus making inroads into Ireland's 17 per cent unemployment.

In the late 1960s, the Government was predicting a tourist boom. But then "The Troubles" began in Northern Ireland. Ireland's image suffered and the expected boom never happened.

While other European countries were doubling and trebling tourist arrivals, Ireland could only manage modest tourist growth. In 1987 the Irish were spending more on holidays abroad than the country was earning from tourist arrivals.

The present tourist influx has been achieved through the success of a comprehensive marketing campaign by Bord Failte, the Irish tourist board. The most dramatic growth has been in tourists from continental Europe, with a 30 per cent increase in visitors recorded in the first six months of this year.

While hoteliers and publicans in many parts of Ireland are rubbing their hands at the arrival of the good times, the big question is whether the present growth can be sustained.

The Government has issued dire warnings about instances of overpricing. Many tourists already find Ireland expensive enough. While competition has brought air and some sea fares down, prices within Ireland often shock visitors.

Hiring a medium sized car during the summer can cost I£73 (£63) a day, a price which must rank as something of a European record. On top of such charges, petrol is among the most expensive in Europe.

Until now there has been little development of Ireland's tourist infrastructure. Hotel accommodation varies considerably but standards of food and service are still often well below elsewhere in Europe. Prices averaging between I£20-I£25 a head for mediocre accomodation could ensure that the new Euro-tourists will not return.

Tourists who search out "traditional farmhouse accomodation" are often disappointed to find themselves in one of the thousands of modern bungalows that now fill the Irish countryside.

The Government says that I£300m of the I£3bn (£2.6bn) Ireland is expected to be granted under the European Community structural funds will go towards building up the tourist industry. In addition, the Government says it is considering almost I£1bn of tourist infrastructural projects from the private sector.

Theme holidays, which range from golfing tours to persuading Italian city dwellers of the attractions of taking part in life on an Irish farm, are being developed. Several schemes aimed at transforming some of Ireland's country houses into jacuzzi-laden executive rest centres and luxury complexes have been announced.

But all this might not be enough to satisfy the expected tourist influx over the next few years.

British and Americans have until now been Ireland's most loyal visitors. In the past few years the growth in US tourist traffic has dropped off through a combination of the dollar's decline and high Irish prices. British tourists have stayed away because of such factors as a long-standing dispute about a Government-imposed angling licence, which has stopped fishing in many areas, and various well-publicised incidents of violence in Northern Ireland.

One of the great attractions of Ireland is its lack of people. But already, increasing tourist numbers are creating pockets of overcrowding. At times this summer, roads in Killarney, down in the southwest, and Connemara, on the east coast, have taken on a Peripherique-like look.

Ireland has a population of only 3.54m. If government plans are realised tourists could well outnumber residents by the summer of 1993.

The big problem now is developing good facilities fast enough to keep pace with the new arrivals.

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OVERSEAS NEWS

Diplomats strive to find solution to Beirut crisis

By Lara Marlowe in West Beirut

DIPLOMATIC pressure to solve the Lebanon crisis intensified yesterday, with a Soviet envoy arriving in Beirut, European Community officials on their way, and the Arab League attempting to revive mediation efforts.

French warships, meanwhile, sought to avoid confrontation by remaining well away from the Lebanese coast.

After a series of consultations in Damascus, Mr Gennady Tarasov, the Soviet Middle East envoy, met Dr Selim al-Hoss, Prime Minister of the Moslem government in West Beirut, for two hours yesterday. Mr Tarasov is scheduled to call on Christian General Michel Aoun today.

While Western diplomats in Lebanon and Syria now say they are satisfied by assurances that France will not become militarily involved in Lebanon, Sheikh Abbas Moussawi, a Shia Moslem Hizbollah leader, yesterday continued the war of words against the French navy, saying that the Moslem Lebanese battle against the French would "horrify everybody."

Soviet sources said that, while the Soviet Union agreed with the French objective of encouraging a political dialogue between warring parties, they wanted to avoid a confrontation between their Syrian allies and the French navy.

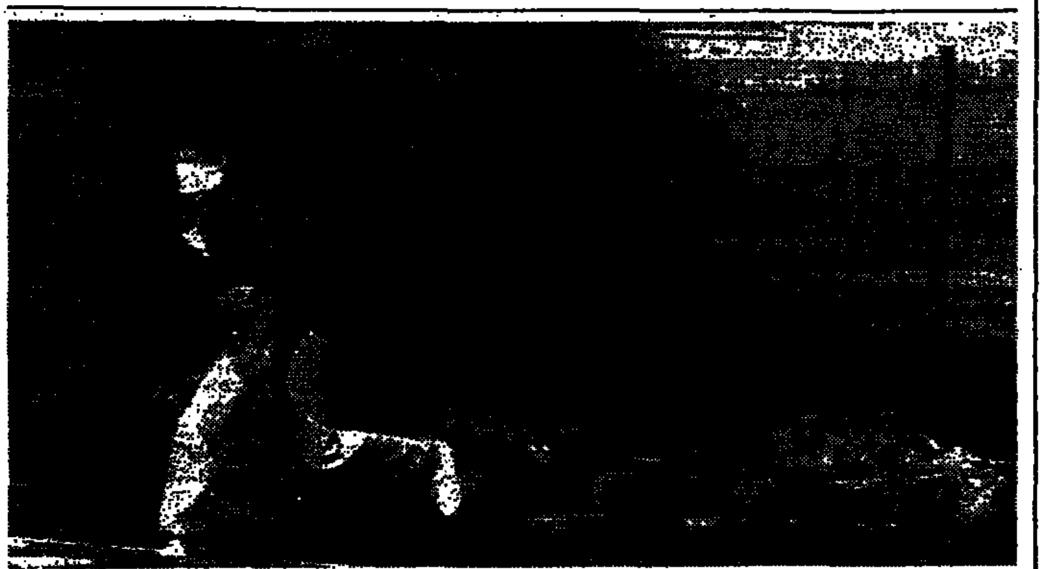
President François Mitterrand of France and Soviet President Mikhail Gorbachev made a joint appeal for a ceasefire in Lebanon on July 5. Moscow is also said to have reservations about any increase in Western military power in the region.

The stated aim of both French and Soviet policy is to reactivate the mission of the Arab League "troika" on Lebanon composed of King Hassan of Morocco, King Fahd of Saudi Arabia and President Chadli Bendjedid of Algeria.

Yesterday in Tunis Mr Chedli Klibi, Secretary-General of the Arab League, suggested renewed mediation despite the troika's recent admission of defeat. "Our Lebanese brothers could, while there is still time, take advantage (of the tripartite committee) ... for such a historic chance will not present itself again for a long time," Mr Klibi said.

There are now numerous peace emissaries trying to resolve the Lebanese crisis.

Mr Walid Jumblatt, the Druze leader whose militiamen have been deeply involved in the fighting, has appealed to President Chadli to mediate, while Mr Rafiq Hariri, a Saudi Lebanese-born millionaire, travelled to Damascus earlier this week on behalf of King Fahd to discuss Lebanon.



A youth is pictured yesterday in the Cape Town township of Mitchells Plain fleeing after setting fire to a tyre barricade near his school. Dozens of street barricades burned in black areas, Reuter reports. Police, meanwhile, arrested 20 women members of the Black Sash, a white human rights group, staging an anti-apartheid demonstration in central Cape Town yesterday. Police darted from suburb to suburb in armoured personnel carriers, vans and a helicopter as a campaign of apartheid defiance entered a fourth week. About 2,000 university students were tear-gassed in the area in other protests.

Zambia increases maize price

By Nicholas Woodsworth in Lusaka

THE Zambian Government has raised the consumer price of the country's staple food, maize meal, by 60 per cent in a programme to cut its budget deficit and liberalise the state-controlled economy. It has at the same time increased the maize price paid to farmers by 48 per cent in an effort to boost agricultural production.

The moves come two months after President Kenneth Kaunda de-controlled prices of all essential commodities, except maize meal, and in a second currency devaluation since last December, took the local currency from 10 to 16 kwacha to the US dollar.

While the maize price increase will contribute to reducing the portion of the government budget spent on subsidies – estimated at 15 per cent of total recurrent costs at the beginning of this fiscal year – it is not without its political risk.

In December 1986 an attempt to lift a then heavy subsidy on maize meal led to widespread riots on Zambia's industrialised Copper Belt. President Kaunda was forced to rescind the measure, a move which led to the termination in mid-1987 of a three-year IMF-sponsored economic reform programme. Deprived of balance of payments support, Zambia's economy went into steep decline.

The Zambian Government has since introduced home grown reform measures, including a gradual lifting of maize subsidies. In January it removed the blanket subsidy on maize, to all but the urban poor, a move that proved highly unpopular with consumers.

The devaluation and price control measures that followed at mid-year have raised consumer costs by almost 100 per cent, and sparked off disturbances on the Copper Belt in mid-July.

Afghan rebels turn on each other

By Christina Lamb in Islamabad

SPLITS among the Afghan resistance have again surfaced with the capture of 300 men from Hezbi Islami in the northern province of Takhar, by the forces of Ahmat Shah Massoud, the most famous commander of Jamiat Islami.

Massoud's action, according to Jamiat sources, seeks to hasten inquiries by the resistance leadership in the Pakistani frontier town of Peshawar into the massacre of 31 Jamiat mujahideen by a Hezbi commander in Takhar last month.

Revenge was expected from Massoud whose colleagues said "honour was at stake". At a protest rally last month, Burnahuddin Rabbani, head of Jamiat, along with four other resistance leaders, demanded the suspension of Gulbuddin Hekmatyar, leader of Hezbi Islami from the mujahideen interim government.

Hekmatyar denied the charges and Jamiat were persuaded to withdraw the demand under pressure from their Pakistani and US backers, who argued it would work in favour of President Najib, whose Soviet-backed regime in Kabul they are fighting.

Jamiat agreed that a commission would be set up to investigate followed by an Islamic trial. Six weeks later the inquiry has not yet begun, and Hekmatyar has accused Massoud of causing the trouble by attacking Jamal's men.

According to a Jamiat officer, Massoud's latest move is to express his frustration, and ends the uneasy truce between the two main resistance parties.

Jamiat sources say that a large group of Hezbi mujahideen surrendered to Massoud in Takhar and then more were captured, including Said Jamal, the Hezbi commander they allege was responsible for the massacre. Hezbi has not yet confirmed the report, but claim that Massoud has killed many of their men in the neighbouring province of Badakshan.

East African earthquake kills nomads

TWO people were killed by Sunday's earthquake in the small East African state of Djibouti, according to the state-run Radio Djibouti, Reuter reports.

Radio Djibouti said that two nomad women were killed near Galafi on the Ethiopian frontier by a landslide caused by the tremors.

The earthquake, which registered 6.4 on the open-ended Richter Scale and produced aftershocks on Monday and Tuesday, also killed several people in Ethiopia, according to the official Ethiopian News Agency.

Radio Djibouti said virtually all the buildings at Galafi, a frontier post 275km northwest of Djibouti town, had been flattened by the earthquake.

It occurred in the East African Rift Valley, a geological fault prone to seismic activity.

Keeping track as India reaches for the sky

K.K. Sharma reviews Delhi's progress in launching long-range ballistic missiles

AFTER India recently successfully sent what it described as a "long-range" ballistic missile to its target in the Indian Ocean from a site on the coast of the eastern state of Orissa, it described it as part of a "technology demonstrator programme."

The successful firing came after two embarrassing failures to launch the missile, codenamed "*Agni*", or "Fire", and propelled India into the exclusive club of countries with intercontinental ballistic missile capability.

The test launch also drew criticism from the US and other Western countries which are discouraging third world countries from acquiring such intermediate missiles, since these can be used for carrying nuclear warheads to distant targets.

Despite the criticism and claims that *Agni* was no more than a "technology demonstrator", there is increasing evidence that not only will India make more such tests in the near future but also that the missiles will be manufactured on a scale that will enable India to make them an integral part of its defence hardware.

Defence analysts keeping track of the missile programme, on which substantial investments have been made, say it makes little sense merely to demonstrate that India has acquired the technology to make the missiles even though the efforts involved are closely related to the country's ambitious space programme.

They have no doubt that the missiles are to be used as part of the deterrent that India has been trying to achieve to match China's nuclear and delivery capabilities.

Having made the point through the successful Agni trial launch, the next steps are two or three more trial launches to perfect the missile technology followed by a manufacturing programme.

The analysts say that, although the aim is clearly to show that India has the capability of sending nuclear warheads to predetermined targets at ranges between 1,000 km to 2,500 km (and thus points in China well outside the danger zone of attracting nuclear fallout), the aim will also be to develop warheads of conventional warheads that are equally powerful.

This is because of India's declared policy that, even though it has demonstrated its ability to make nuclear weapons as long ago as 1974, the country will not make nuclear bombs.

There is considerable scepticism about this, as the Agni kind of missile does not have pinpoint accuracy and so is more useful for launching nuclear warheads.

Scientists associated with the missile and space programmes insist that after the successful launching of Agni, the aim now will in fact be to develop the kind of pinpoint accuracy that will enable the use of powerful conventional warheads. Independent observers view this claim with considerable scepticism.

Many Indian analysts believe that India should openly declare its nuclear intentions just as they think that the Government should have pressed ahead with a nuclear programme after exploding a nuclear device in 1974 in the Rajasthan desert.

This, they argue, would have freed India from pressures nuclear-aspiring countries have had to face as well as embargoes by the US and other nations on acquiring and developing technologies of the kind that held back the Agni programme from making faster progress.

The seven-nation missile technology control regime which came into operation in 1987 has slowed down India's missile and space programmes, both of which are linked. That the missile programme could not be held back is claimed as evidence of the country's determination to develop indigenous technology.

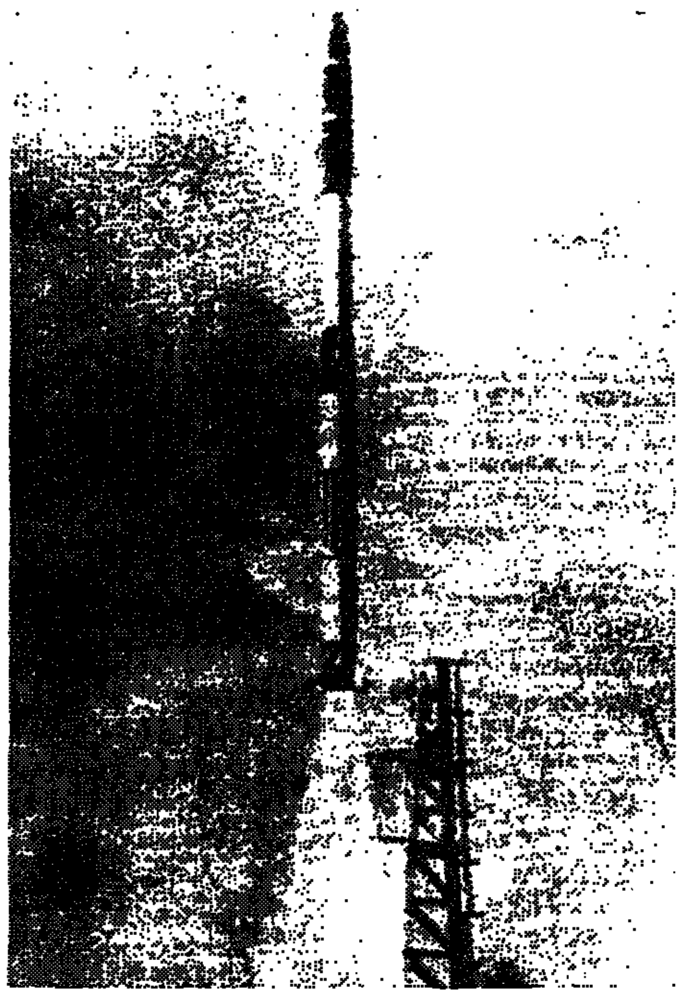
The technology has progressed considerably although scientists in charge with the missile programme say at least two or three more "dry" runs are needed before plans are made for production.

India's integrated guided missile programme was launched by the late Mrs Indira Gandhi, former premier, in 1983 with an initial allotment of Rs3.8bn ($230m). No estimates of the final costs are available but these must have been considerably more, even if part of the funding is offset against related space development programmes.

India entered the missile age last February with the launching of the short-range *Prithvi* which has a highly accurate delivery system. A short-range surface-to-air (SAM) missile named *Trishul* has already been tested several times and is to go into production next year. A longer-range SAM codenamed *Akash* is thought to be in an advanced stage of development.

A laser guided anti-tank missile named *Nag* is due to be manufactured in the early 1990s. By 1995, the defence forces are expected to be virtually self-sufficient for their missile needs and will no longer be dependent on external sources which today are mainly the Soviet Union and France.

Both are now under pressure to control supplies to India after the successful testing of *Agni*. This has made Indian scientists and the Defence Ministry conscious of the need to speed up the missile development programme. As Mr K.C. Pant, Minister of Defence, recently told Parliament: "Guided missiles is one area in which we want to totally self-sufficient".



Rocket Rohini 1980: India's first satellite rocket

Re-education for Peking civil servants

By Our Foreign Staff

PEKING officials confirmed yesterday that many of those who have graduated since 1985 and work for the Government will be sent to work at "grass roots" units to improve their political thinking.

This order reflects deep leadership suspicion of the political reliability of an entire generation of educated youth. Many young government workers and others marched in the student-led protests for a freer society which were put down in early June.

Culture Ministry officials confirmed a report in this week's Culture News, which said that college graduates assigned to work in the ministry must first join unspecified "group study" and then spend one to two years receiving "training". The Ministry of Broadcasting, Film and Television, and the Academy of Social Sciences also confirmed the report, contrary to denials by education officials.

The "training" will be outside Peking, and graduates' residence permits will be switched to their new location. Thus they may not be able to return to the capital unless they toe the line.

The hardline leadership has already taken strong measures to indoctrinate current students. Those hoping to do post-graduate studies are having to undergo what is described as "grass-roots training", while many undergraduates are being given military or political education.

The move is reminiscent of the despatch to the countryside of huge numbers of dissenters, usually intellectuals, during the disastrous Cultural Revolution of the 1960s. However, the ill-treatment of those times seems unlikely to recur.

The measures are partially accounted for by the alarm of Peking's elderly leaders at the huge numbers of students involved in the spring protests. The Hong Kong-based Wen Wei Po, quoting reliable sources in Peking, on Tuesday noted that over 2.8m students from over 600 colleges in 84 cities had been involved in the spring "turmoil".

Arab boy not tortured, says pathologist

By Tony Walker in Jerusalem

AMJAD JIBRIL, the 14-year-old Palestinian-American boy found dead in a pool of blood last Friday, had not been tortured to death, an independent pathologist has found.

Dr Derrick Pounder, head of the Department of Forensic Medicine at Dundee University, said his investigation had established that Amjad had died from a single gunshot wound in the back. He said his findings had not differed from those of an Israeli autopsy.

Amjad's family had asked for an independent pathologist's report, claiming that the boy had been tortured. He was last seen alive more than a week ago during clashes with the Israeli army near the large Arab town of Ramallah. The military authorities denied responsibility for his death.

Dr Pounder said he had found no evidence of torture, but he could give no further details pending a criminal investigation.

The Scottish doctor, who was representing the Boston-based Physicians for Human Rights, noted that the case was the first during the 20-month Palestinian uprising against Israeli military rule in which the authorities had permitted a second autopsy.

"We believe it's an absolute right of a family that has lost a loved one to have a second autopsy," Dr Pounder said. "We hope this case will serve as a precedent."

The case had excited international interest because of Amjad's American citizenship. The US Consulate in Jerusalem had pressed the initially reluctant Israeli authorities to allow an independent assessment of the cause of death.

Meanwhile, Israel's supreme court approved deportation orders against four alleged ringleaders of the uprising.

Israel had accused the four of being members of banned organisations. It has expelled 56 other Palestinians since the start of the uprising in December 1987 in which 609 Arabs have died and 14 Jews.

● Israeli troops were yesterday searching for a Jewish gold dealer, Mr Shaul Mishani, 46, kidnapped by masked men in the Arab West Bank town of Tulkarm on Wednesday night.

Maj Gen Dan Shomron, Israel's chief of staff, who has taken charge of search efforts, said: "We are using all the resources at our disposal and I expect he will be found."

Israeli border policeman gestures to photographers as he drags away a Palestinian in Jerusalem

War threatens the peace of Angkor Wat

DEEP inside the jungle, troops with AK-47 automatic rifles patrol one of the world's great monuments, the vast Angkor complex of ancient Cambodian temples, reports Reuter from Cambodia.

Angkor has suffered years of neglect and vandalism. And in the months ahead war may also threaten the magnificent structures built between the ninth and 13th centuries.

"Angkor is the main target of our enemy," said Cambodia's Defence Minister Tie Banh. "They will try very hard to occupy that place."

Unimportant militarily, Angkor is the symbol of Cambodia. Its loss to one of the three guerrilla groups fighting the Vietnamese-installed government in Phnom Penh would be a huge psychological defeat.

Tie Banh expects the Khmer Rouge and other resistance groups to step up attacks after Vietnamese troops withdraw from Cambodia on September 26.

Last week, the first Khmer Rouge rocket attack for at least a year fell harmlessly into an empty field. But it served as an omen of possible disaster.

Despite Cambodia's uncertain future, more tourists are expected in August than in any month since the early 1970s, prompting hopes that the ruins will spark prosperity.

Angkor's 194 sq km of temples, reopened in 1987, now draw a few hundred visitors on day trips each month, according to local tourism director Hao Sotha.

"Since we opened to tourism until the present time, security has been just fine," said Leng Vy, governor of Angkor's surrounding Siem Reap province.

Some 120 police, many armed with AK-47's, patrol the 12th-century Angkor Wat, the huge complex's most famous monument.

They guard not only against the Khmer Rouge and other insurgents, but also against thieves who plunder sculptures from the temple.

Hundreds of years of theft, combined with destruction during Khmer Rouge rule from 1975-79, have damaged almost all of the thousands of Hindu and Buddhist statues at Angkor.

"I am deeply sorry that at Angkor Wat, the great heritage of Cambodia, everything is disappearing step by step," 60-year old monk Prin Tim said inside the temple where he had gone to pray.

"It's a once-in-a-lifetime opportunity to visit Angkor considering nobody knows what will happen after September when the Vietnamese army leaves," according to Angkor curator Uong Von.

Rebellious teachers try to take S Korean schools up a grade

Maggie Ford in Seoul reports on the battle over teaching methods in one of the world's most highly educated nations

SCHOOLS go back after the summer holidays in South Korea this week, with a bitter battle over the future of the education system still unresolved.

The row, which has divided parents, education officials and teachers, could have a fundamental effect on the country's economic future as it progresses towards becoming an advanced industrialised country.

The changes sought would alter the whole approach to learning in a country with one of the most highly educated workforces in the world.

The argument has initially focused on the Government's refusal to allow schoolteachers to form a trade union. Legally, because they are civil servants, the teachers are banned from organising independently. Earlier this year the Government sacked 1,500 activist teachers; more than 40 have been jailed.

The teachers are not interested only in collective bargaining over poor pay and conditions, however. Many wish to change the schools' teaching methods, which concentrate on memorising by rote and on passing the all-important university entrance exam, and to alter the ideological lessons taught to all pupils.

The Education Ministry has adopted a hard line against the teachers, accusing them of wishing to introduce "leftism" into schools. A number of teachers have been charged with seeking to imbue students with pro-North Korean ideology. The accused teachers have won several victories in court, where sentences have been delayed or suspended until the legal status of the union is reviewed in the Constitutional court.

The mass dismissals of teachers have also caused problems for the ministry as there is a shortage of replacements, and have sparked concern by parents and pupils. Demonstrations have been held by students at some schools in support of the teachers' union.

Parents are divided over the issue. In South Korea, entrance to a top university is seen as the key to a successful future. Secondary school students are pushed strongly to study, for up to 18 hours a day in latter years, to pass the entrance examination.

This "examination hell" requires pupils to memorise thousands of facts to enable them to score well on multiple choice questions. The system is criticised in some quarters because it does not teach students to reason and analyse, to use their imagination, or to express themselves in essay form.

Some educators, officials and parents believe that South Korea will increasingly need a different type of university graduate if it is to compete against advanced countries, especially in high technology areas. Most of the country's engineers, scientists and top economists take post-graduate degrees abroad, mainly in the US.

Teachers also complain about what they describe as the politicisation of teaching about Korea's history and current affairs. One union leader claimed that the Confucian system of respect for teachers had been abused for 40 years to train pupils to accept autocratic leaders.

The Government recently announced that it planned to give teachers a free hand in lessons about the authoritarian Government of former President Chun Doo Hwan, who stepped down last year, until old textbooks can be revised.

For many parents, who sacrifice substantial amounts of time, money and effort helping their children enter university, the rights and wrongs of the debate may be less important than any possible disruption to the school system.

While many agree with the need for reform, they are more concerned that the process of change might reduce their own children's chances, thus putting them at a severe disadvantage in such a competitive society.

South Korea's education system has produced a national literacy rate of almost 100 per cent and an enormously high percentage of university educated people – almost half the adult population of Seoul. Many believe education has been key to the country's economic success.

The debate now raging reflects the shift to more democratic politics. But its outcome could also have a crucial effect on the country's other great challenge – the successful leap from developing to advanced nation status.

New pressure to close US bases

MORE THAN half the members of the Philippines Senate yesterday backed a measure calling for US bases to be closed in 1991, AP reports from Manila.

The move reflects growing sentiment in the 23-member Senate to block renewal of leases for the huge Clark air base and Subic Bay naval base and four smaller installations.

Talks with the US on the bases are to start later this year. Mrs Cory Aquino, the prime minister, refuses to disclose her position.

The senators said the bases were "militaristic enclaves" that "represent vestiges of neo-colonialism where our people, including our high officials, are humiliated and maltreated as third-class citizens."

AMERICAN NEWS

COLOMBIAN CRACKDOWN RIPPLES SPREAD

MPs call for probe into drug mercenaries

By John Mason in London and **Tony Walker** in Jerusalem

BRITAIN's opposition Labour party has called for an inquiry into the involvement of UK mercenaries in Colombia, and Israel has asked Interpol to assist in establishing whether Israeli security experts were involved in training assassination squads funded by the Medellin cartel.

The growing calls for investigations into the role of foreign mercenaries in the drug barons' private armies follows the crackdown on the cocaine trade in Colombia.

There has been speculation that foreign mercenaries were responsible for the assassination of Sen Luis Carlos Galan, whose death sparked the crackdown.

Officials in Jerusalem said that if it was found that Israelis were violating Israel's laws in providing training for Colombian killer squads they would be liable for prosecution.

The American NBC TV network reported earlier this week that Israelis were actively involved in training Colombian assassins. Israel TV identified one of the men in the NBC film as an Army reserve colonel who heads a local security firm. Israel's media named the colonel and his company.

An Israeli Foreign Ministry spokesman said that if the NBC report were true "such actions would be in violation of Israeli law and would be contrary to Israeli policy, which is strongly committed to the war on drugs."

Some 800 Israeli companies are licensed by the Defence Ministry to sell arms abroad or to provide security services. Israeli security companies have been particularly active in central and Latin America.

Commander Yehoshua Caspi, head of Israel's Police Investigations Branch, said he was urgently seeking information following the NBC report. He was in touch with both the Colombian national police in Bogota through Interpol and with the US Drug Enforcement Agency.

Commander Caspi also indicated that he was following up reports that Israelis were involved in the drugs trade itself, but he warned in an Israel radio interview that it was premature to jump to conclusions.

"At the moment we have no firm information on Israelis helping persons growing, producing or trading drugs in Colombia...For now everything rests on a one-second segment from the NBC film", he said.

Britain's opposition Labour party yesterday demanded an inquiry into allegations that mercenaries suspected of involvement in the Colombian drugs trade could have been recruited in the UK.

Mr George Foulkes, a Labour Foreign Affairs spokesman, said Colombians he had talked to claimed the Britons involved were former servicemen from the Special Air Service, Britain's elite military unit, and could have been recruited by UK-based organisations.

Mr Timothy Sainsbury, a junior Foreign Office Minister, said yesterday: "I have indeed seen reports of British mercenaries involved in activities out there and that is something which we very much regret and indeed we deplore anything that they might do of an illegal nature overseas."

He told Independent Radio News that Britain would help the Colombian government by supplying whatever information it had.

SAS veterans and battle hardened Israeli army reservists are in great demand internationally for difficult security tasks. Their practical experience in risky anti-terrorist activities is valued by countries and individuals in volatile regions such as Central America.

Fed reform plan faces uphill struggle

By Peter Riddell, US Editor in Washington

THE US Federal Reserve would lose some of its independence under new congressional proposals to make it more open and accountable about interest rate decisions.

Under the plan, the Treasury Secretary would sit on the board for the first time since 1935; monetary policy and interest rate decisions of the Federal Open Market Committee would be published immediately rather than after six weeks as now; and Congress, via the General Accounting Office, would audit the Fed's monetary transactions.

These proposals would substantially affect the current operations of the Fed, which has, since the 1930s, become independent both from the administration and from Congress.

The latest plan, co-authored by Representative Lee Hamilton, the Democratic chairman of the Joint Economic Committee and one of the most respected members of Congress, coincides with general congressional concern over the role of the Fed. There have also been short-term complaints by Republicans and Democrats that the Fed has been erring too much on the side of caution and is risking a recession.

The current proposals reflect the long-standing suspicion of many Congressmen about the allegedly undemocratic role of the central bank.

Mr Hamilton's proposals face an uphill fight not only because of the opposition of many Fed governors themselves but also because in practice it suits both the administration and Congress to have an independent Fed to take responsibility, and the blame, for policy decisions.

Mr Alan Greenspan, the chairman of the Fed, has opposed the call for immediate disclosure of Open Market Committee decisions on the grounds that this would destabilise financial markets. But a minority of Fed board members and regional bank presidents favour more rapid disclosure.

Bankrupt thrifts take the RAAP

Anthony Harris on attempts to meet new capital requirements

AMERICAN financial commentators of a morbid turn of mind, who chronicle the continuing erosion of the savings and loan (S&Ls) industry, are having to familiarise their readers with some new acronyms. Many emerged at a press conference this week at which the newly-created Office of Thrift Supervision (OTS) presented the latest quarterly state of play.

To start at the healthy end of the industry: GAAP, or generally accepted accounting principles, is a quite familiar set of letters. This is the rule under which sound S&Ls, still the majority in the industry, have to measure the 3 per cent core capital they must accumulate within two years, against the average of about 1½ per cent they have now.

The capital deficiency of the solvent thrifts, if they continue to hold their existing $1,200bn of mortgage and other assets, is $30bn. GAAP capital includes the value of goodwill: so building up the required capital looks a difficult, but not impossibly demanding task. It is harder than it looks, though.

The capital requirement is imposed by FIRREA, or the Financial Institutions Recovery, Reform and Enforcement Act. Unfortunately FIRREA not only requires the institutions to seek more capital out of dwindling profits, or from a deeply sceptical market, but makes the task more difficult even than the latest figures, which show an industry-wide quarterly loss of $3.7bn, might suggest. This is because the Administration requires the industry to make whatever contribution it can to the cost of its own restructuring.

Immediately, this means that the 12 Federal Home Loan Banks, which were lenders of last resort to the industry until the losses overwhelmed them, must now turn over their retained earnings of $2.5bn to the Treasury. This affects the S&Ls because up to the day when the President signed FIRREA, the Home Loan Banks paid dividends out of their income on these retentions to the thrifts they serviced – a sum of $300m in the final year.

The Federal Reserve Board yesterday unanimously approved a ruling which will allow US banks' holding companies to acquire thrift institutions in any State, regardless of whether they would be permitted to operate a bank in that State.

This may seem small change in a world of losses counted in hundreds of billions, but it made a highly significant contribution to the profits of the solvent thrifts, running at an annual rate of $4.8bn in the last quarter. There are other new burdens, too. Congress tacked on a requirement to support low-cost housing to the rescue measure, costing about $100m annually. Other lesser charges and changes mean that the rescue will reduce profits by about $500m.

Faced with this straitened cash flow, and low market ratings, the sound S&Ls may hope that they can meet their capital requirements partly by shrinkage – selling part of those assets which can fetch at least book value. Here, however, they will find themselves up against the need for the US authorities to dispose, sooner or later, of some $300bn of assets held by the insolvent 32 per cent of the industry.

Some of these institutions are still solvent, according to their financial reports, which are based on the GAAP principle; but as they near the brink, a tougher standard, RAAP, or real asset accounting, is applied. Goodwill vanishes, and in all too many cases solvency goes with it. The institutions then go to the the land of the living dead, known as conservatorship.

The audit also involves a realistic attempt to mark assets to market, and is showing that past write-downs, though heavy, were still inadequate.

In a sense, the picture still looked tolerable: 794 S&Ls were running at a loss, but 1,995 were still profitable. How these figures will look next quarter, under new rules and with further revaluations, is the grim question.

Mexican miners threaten strikes over closure

By Richard Johns in Mexico City

MEXICO has been threatened with nationwide strikes by Mr Napoleon Gomez Sada, leader of the Union of Mining and Metallurgical Workers of the Mexican Revolution, in support of the 3,700 miners laid off when Compania Minera de Cananea was declared bankrupt last weekend.

Mr Gomez described the decision as an attack on the workers. He added that the union was in contact with other unions "to promote solidarity" with mineworkers at Mexico's largest copper mine.

"We will convene a national assembly in the next few days so that the 200,000 workers can decided the date of the strike," declared the veteran leader, who had been in favour of delaying the stoppage called for August 27 by a month so that further negotiations could take place.

At the same time the ruling Institutional Revolutionary Party has rejected opposition calls for an investigation into the nature of the "bankruptcy".

Last year the company made a healthy profit, but also contracted short-term debts giving it liabilities of just over $650m.

OAS refuses to get tough with Noriega

By Lionel Barber in Washington

THE BUSH administration's attempt to enlist Latin American support for the removal of General Manuel Noriega, Panama's military ruler, appears to have failed.

A special meeting of the Organisation of American States broke up yesterday morning with no sign of agreement on US demands for tough, unequivocal language calling on Gen Noriega to step down from power.

Latin American foreign ministers attending the OAS meeting in Washington rebuffed the US and called for more negotiating time with Gen Noriega and the Panamanian Defence Forces to establish a transitional government in Panama.

Last year, the US imposed economic sanctions against Panama in an effort to remove a leader who had been indicted on drug trafficking charges. This year, after widespread allegations of fraud in the June presidential elections, the US switched tack and tried to enlist regional support for the strongman's removal.

The aim was to rally the hemisphere under the banner of democracy and breathe new life into the nearly moribund OAS, but Latin countries baulked out of the old fear of US intervention in the region, one diplomat in the talks said.

The diplomatic breakdown now puts the US in a quandary because the constitutional mandate of the current Panamanian president expires on September 1.

Mr Lawrence Eagleburger, deputy secretary of state who attended the OAS meeting, said without a transitional government "the Noriega regime will have declared itself to be an outlaw among civilised nations and we should treat it accordingly."

Washington is now bracing for an escalation of tension between Gen Noriega and the 12,600-strong US Southern Command which has been conducting high-profile, aggressive manoeuvres in Panama.

Baseball superstar struck out after legal battle

By Lionel Barber in Washington

MR Pete Rose, one of baseball's all-time superstars, was yesterday banned for life for betting on the game.

But under baseball rules, Mr Rose, the fiery 48-year-old manager of the Cincinnati Reds, will have the right to apply for reinstatement to the game after one year.

The compromise ends a seven-month-long legal battle which has absorbed the nation. Mr Rose, the bank clerk's son, has cast himself as the hero in search of an unprejudiced public hearing, fighting the authoritarian Mr Bartlett Giamatti, the Yale academic turned Major League Baseball Commissioner struggling to preserve the reputation of America's favourite summer sport.

Mr Rose, wearing a sombre business suit instead of his customary red baseball uniform, called a news conference in his home town of Cincinnati to insist that he had never placed a bet on the game.

"Obviously I made some mistakes," he said, thanking the fans for their support over the past 25 years, "but one of the mistakes was not betting on baseball."

At a news conference in New York, also covered live by network television, Mr Giamatti disagreed: "I am convinced that he bet on baseball," but he added that he had no evidence that Mr Rose had bet against the Cincinnati Reds. "It is the covert act of wagering that is the issue."

The Pete Rose scandal besmirched the reputation of a man, nicknamed "Charlie Hustle," who had more played in more games (3,562) and had more hits (4,256) than any other player.

Mr Rose bet heavily on horses and dogs. At one point, he owed $400,000 to a New York bookmaker and was betting as much as $2,000 per game on baseball, according to a report released by Mr Giamatti's investigator.

Mr Giamatti said he had an open mind if Mr Rose applied for reinstatement. Mr Rose said he had no doubt that he would be reinstated, but later said in a TV interview that he could not rule out baseball in Japan where the Major League suspension has no effect.

He still faces potential federal charges involving income tax.

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WORLD TRADE NEWS

Britain falls victim to Iraq's growing debt crisis

By Victor Mallet, Middle East Correspondent

BRITISH exporters to Iraq and the Export Credits Guarantee Department (ECGD) have become the latest victims of Iraq's shortage of foreign exchange and heavy foreign debt burden.

Iraq has repeatedly run into arrears on its UK trade credit repayments in recent months, causing periodic suspensions of medium-term ECGD cover and restrictions on short-term cover, and helping to delay drawdown of the latest £340m in UK credit lines agreed in November last year.

Iraq's debt crisis has long been severe, but over the last five years Britain has enjoyed a privileged status among Iraq's trading partners in the industrialised world, receiving timely repayments for old credits and continuing to provide cover through the ECGD under special protocols. Last year's was the fourth such accord.

British trade officials, responsible for ECGD's total exposure to Iraq of some £750m, are watching the situation closely and suspending cover whenever Iraqi arrears exceed fixed financial and time limits on arrears. In one instance this year, medium-term cover was suspended for more than a month. So far the British are putting a brave face on it. Government officials and bankers believe that Britain – because it still provides important credit lines – remains in a far better position to receive its money than competitors such as Japan or France.

They say that Iraq is simply stretching repayment limits to the utmost and juggling its various creditors to maintain a flow of money for reconstruction after the Gulf war against Iran. "They are robbing Peter to pay Paul all the time," says one UK official.

Despite an increase in oil revenue this year, debt repayment is one of President Saddam Hussein's most severe economic problems. Iraq's non-Arab debt is estimated at $35bn.

Both Britain and Iraq are concerned that the arrears and the delay in the drawdown of this year's credits could restrict the size of future agreements. Trade officials from the two countries discussed the issue earlier this month, and the joint commission is expected to meet in October to plan the fifth protocol. At present, following a recent Iraqi payment, the ECGD is faced with only a small amount one month overdue on medium-term credits. Short-term cover is available, but only on a restricted basis for certain customers.

Debt arrears are not the only problem affecting trade with Iraq. This year the Iraqi Government has been slow to nominate projects entitled to draw down the £340m in ECGD-backed credits from Midland Bank. None of the money has yet been spent – although approvals are on the way – while exporters continue to use the small amount of credit left over from the previous year, Iraqi arrears permitting.

One of the first projects to benefit from the latest agreement is likely to be the supply of turbine generators to the al-Shemal power station by NEI Parsons, supported by a £65m buyer credit.

The rest of the protocol provided for a £100m five-year credit line to Rafidain Bank to finance contracts, £100m as an additional credit line or for special projects, and a £75m, 18-month credit line for pharmaceuticals.

Veracruz gold hoard at Waterloo station

Tim Burt examines the onslaught of Mexican beer in Britain and the US

DEMAND is growing for the water which springs from Mount Orizaba, the highest peak in Mexico. The mountain's natural resource, which is filtered through 5,000 feet of bedrock, has become a valuable ingredient for Moctezuma, the country's largest beer producer.

The company's formula of Orizaba water, Puebla malt and US hops from Yakima Valley, Washington state, has become one of Mexico's most lucrative exports – Dos Equis – earning valuable foreign currency for the country's ailing economy from the US, and now Britain.

Moctezuma, a subsidiary of Visa – Mexico's second largest private holding company – claims Dos Equis, its most popular brand, outsells all other Latin beers in the US, where it is challenging the European stranglehold on the market for bottled imports.

The claim has been dismissed by the Modelo brewery, the main Mexican competitor to Moctezuma. The most popular Latino beverage in the US, according to Modelo executives in Mexico City, is their own product, Corona Export.

Corona sales north of the Rio Grande exceed 20m cases a year and Modelo says it is challenging Heineken, the Dutch beer, which boasts a 40 per cent share of the US import market.

Moctezuma, meanwhile, which produces several different beers at its breweries in Guadalajara and Orizaba, is now looking across the Atlantic to a new export market in Britain. Thousands of cases of Dos Equis and Sol, its lighter stablemate, are stacked in the railway arches beneath London's Waterloo Station following a 6,000-mile journey from the port of Veracruz, in the Gulf of Mexico. The beer crates are being stored in vaults originally converted into wine cellars by Maison Courette, the London-based importer.

Alan Harper

Charles Sanderson, purchasing executive of Maison Courette

Maison Courette is selling 14,000 cases of Moctezuma beer a month and business is booming. Outlets throughout Britain have called for emergency deliveries because demand is outstripping supply. Moctezuma is taking advantage of a boom in imported beer sales. The UK market is worth £9bn in annual turnover to the domestic brewers alone.

Sales of Sol almost doubled last month when 168,000 bottles changed hands in just two weeks and Mr Charles Sanderson, a purchasing executive with Maison Courette, said sales have grown 33 per cent on last year's figures.

The Mexican Government is encouraging Moctezuma and Modelo to compete for export success. President Carlos Salinas de Gortari hopes dollars generated by private enterprises such as the breweries will help the economy out of the recession and reverse flight of capital. Beer exports have also been linked to the growth in tourism.

Until the early-1980s, however, Corona and Dos Equis were rarely found outside Mexico, and large-scale export was made possible only when the breweries invested in their own blast furnaces to produce non-returnable bottles.

Modelo and Moctezuma are now taking advantage of the huge consumer market in the US, where their beers are sold with a slice of lime – a practice unheard of in Mexican cantinas. Both companies face an uphill battle against US domestic producers such as Anheuser-Busch, which brews Budweiser, and uses a $500m-a-year marketing budget to fight off attempts by foreign brewers to promote their beers.

In London, Maison Courette attributes the growth in sales to the popularity of Tex-Mex food and the opening of south-of-the-border restaurants around the UK.

The growth of such outlets has provided a ready launch vehicle for Sol, supplied by the wine shipper, which is meeting Moctezuma officials later this month to discuss its long-term strategy for the 1990s and the effect of the single European market from 1992.

"We see potential for Sol to sell 10,000 cases a month and we would spearhead expansion into European markets from here," said Mr Sanderson.

Moctezuma, however, does not expect to win customers in European countries such as West Germany and France, where few bars and restaurants stock foreign beers of any type. "The European market is totally different to the UK," said Mr Sanderson. "West Germany has 5,000 breweries supplying very small regional areas. There are no national brands and very few imported beers."

President Salinas de Gortari regards the beer expansion as an example of the revival taking place in the Mexican economy, which suffered dramatically when the oil price crashed in 1982. "Liquid Gold" no longer refers only to oil in Mexico, but also to the beer selling for $4 a bottle in the US.

The mood of Mexican beer exporters is reflected in a Corona advertisement in the US which depicts the Modelo brewery's distinctive clear bottles overshadowing its Heineken rivals. The caption reads, "the secret's out".

Matsushita to build US refrigerator parts plant

By Robert Thomson in Tokyo

MATSUSHITA, the Japanese consumer electronics manufacturer, has announced the establishment of a new US subsidiary that will build a $90m refrigeration compressor factory in Tennessee.

The new plant, run by the Matsushita Refrigeration Company of America (Marca), is part of the Japanese company's strategy to lessen trade friction by increasing overseas production as a percentage of overseas sales to 50 per cent by 1993, from the present 29 per cent.

Marca will be capitalised at $70m and be 55 per cent owned by the Japan-based Matsushita Refrigeration, 40 per cent by Matsushita Electrical Industrial, the core company of the group, and 5 per cent by Matsushita Refrigeration Industries (Singapore).

The new factory is expected to begin operations in late 1990, and achieve annual production of 1.5m units by 1992. The company is the largest maker of refrigerators in Japan, and claims to have the largest share of the world market in compressors.

At present, compressors for the US market are made in Singapore, and the company said the Tennessee factory will ensure a "steady supply" to US refrigeration equipment manufacturers.

The company's compressors are already used in a third of all US refrigerators. The new company will buy an 85-acre site on which to build the plant, which is to employ about 300 people.

The new factory will be the 11th built in the US by the Matsushita group, which already has television, microwave oven, video cassette recorder, alkaline battery, and car audio facilities as part of a total investment of $500m in US manufacturing operations.

Mitsui envoy in Iran to discuss compensation

MITSUI, the Japanese trading house, yesterday sent its chief negotiator on the stricken Bandar Khomeini petrochemical plant to Iran after a request from Iranian officials for urgent talks on the company's withdrawal from the project, Robert Thomson writes from Tokyo.

Mr Hiroshi Watada, president of the Iran Chemical Development Company, the Mitsui vehicle for the joint venture, will discuss the terms of the withdrawal in Tehran during the next week with Mr Ahmad Rahgozar, president of the state-run National Petrochemical Company.

An Iranian official has claimed that Mitsui offered $1.25bn compensation for pulling out, but that the offer had been rejected as insufficient. However, Mitsui said that no such offer has been made, and that although a compensation figure is being negotiated, the amount will be much less.

Chinese oil refining contract for Japan

By Robert Thomson

CHINA, hit by a shortage of refining facilities, has asked General Sekiyu, a Japanese refiner affiliated with Exxon, to process oil for domestic use in the first agreement of its kind signed by Peking with a Japanese company.

The liberalisation of Japanese refinery exports is a part of a broad, five-year deregulation of the insular oil industry. The deregulation, which began in 1987 and is overseen by Japan's Ministry of International Trade and Industry (Miti), is intended to make companies more competitive. It is also hoped it will encourage them to seek foreign sales.

The month-by-month agreement is a setback, however, for the Chinese Government, which is attempting to conserve foreign currency, and also marks the first time in several years that the Japanese Government has allowed domestic refiners to export petroleum products.

Prospective exports by the strictly-regulated industry has to be approved by Miti.

From October, General Sekiyu will refine 10,000 barrels of crude per day which the Japanese company presumes that the China National Petrochemical Corporation will purchase on the international market.

At the same time, oil from fields in the north of China is among the country's most important exports to Japan and is regarded as a prime hard currency earner.

A General Sekiyu spokesman said that the refined products, apparently gasoline, light oil, and heavy oil, will be used within China. Peking officials, who said they did not want a costly long-term commitment, have indicated to the Japanese company that the agreement will last into next year and, perhaps, beyond.

China faces a crude oil deficit in coming years, as offshore exploration has failed to find large reserves to supplement the northern fields.

Swiss engineering orders reach export-led record

by John Wicks in Zurich

SWISS engineering orders reached a new record in the first half of this year, thanks primarily to a jump in exports.

Orders received by 200 member firms of the Swiss Association of Machinery Manufacturers (VSM) amounted to some SFr12.3bn (£4.6bn) for the period, or some 16.1 per cent more than in the same six months of last year.

A share of SFr8bn of the January-June figure was accounted for by foreign orders, which were up in an annual comparison by as much as 22.3 per cent. At the same time, domestic orders were higher by 6.1 per cent than for the comparable 1988 period at SFr4.3bn.

The same companies, whose turnover rose by 11.6 per cent over the period to SFr10.4bn, reported total order-book value of SFr16.9bn at the end of June. Orders on hand improved to the equivalent of 7.5 months' output, with increases in almost all individual product groups.

According to VSM, the figures reflect "continuing heavy demand" on the international capital-goods market, while Swiss exporters profited from favourable exchange rates.

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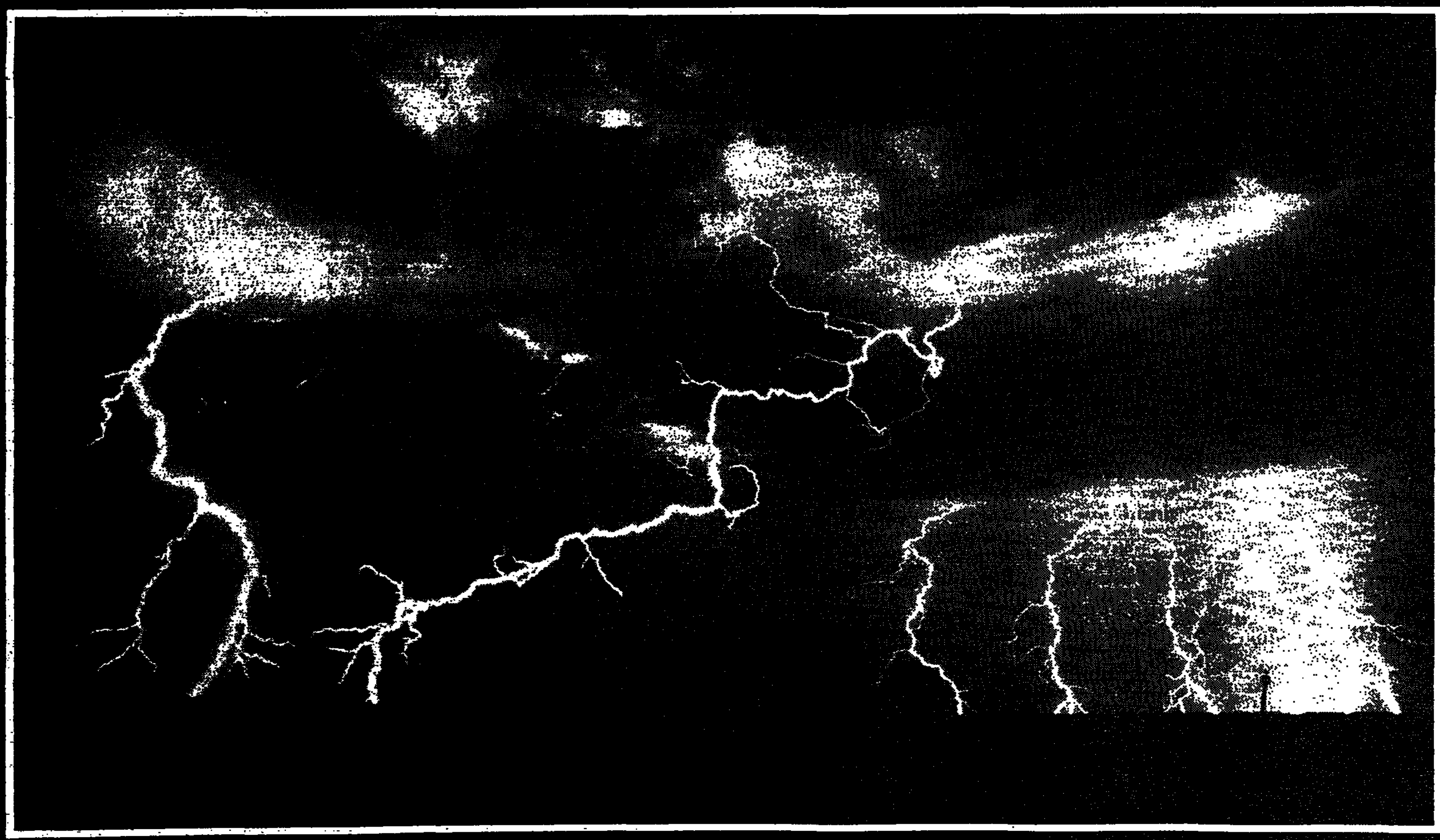

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UK NEWS

Lawson says interest rate cut depends on inflation

Simon Holberton, Economics Staff

MR NIGEL LAWSON, the Chancellor of the Exchequer, warned yesterday that interest rates would have to remain high and would not be cut until he is confident that inflation is under control.

Speaking on BBC Radio a day after the release of figures showing Britain's current account deficit in July was £2.1bn, the Chancellor made clear that getting inflation down was the main priority of the ruling Conservative Government.

Although the July deficit was the second worst on record Mr Lawson said the trade figures were not an index for measuring the state of the economy as a whole.

"The financial markets have taken [the figures] very calmly indeed and that is right, that is appropriate," he said. "What matters is that we are on course for getting inflation down."

Lawson endorses high rates

The mainstream view among economists in the City, London's financial quarter, is that Mr Lawson will wait until the end of the year, or possibly early next year, before he cuts interest rates from their current level of 14 per cent.

A sizeable minority believe, however, that he will have to move earlier or risk sending the economy into recession – something Mrs Margaret Thatcher, the Prime Minister, is determined to avoid.

The longer 14 per cent rates take to obtain the greater the likelihood that home borrowing costs will have to rise further. He refused to indicate when he might be prepared to reduce interest rates.

He said it would be "foolish" for him to do so, but he said they will have to remain high "for some little time yet".

"I can assure you that there will not be any premature reduction in interest rates," he said.

"There will be no question of bringing interest rates down until I am absolutely confident that it is safe to do so and consistent with the need to bring inflation down further."

Hoover announces 207 job cuts as imports take toll on sales

By Christopher Parkes, Consumer Industries Editor

HOOVER, one of Britain's leading domestic appliance makers, yesterday announced 207 redundancies and gave a warning of more to come next month.

The company, owned by Maytag of the US, said the spending squeeze and cheap imports had depressed demand for its home laundry equipment, vacuum cleaners and dishwashers.

The company's main factory at Dragon Parc, Merthyr Tydfil in Wales, suffers worst: 125 out of the 1,770 people employed there will lose their jobs.

Most of the other redundancies will come at Cambuslang, near Glasgow in Scotland, which normally employs about 1,400 people making floor cleaners. A dozen workers will go at the Bolton service centre.

Hoover laid off 250 temporary workers earlier this year when the first effects of the Government's strategy to fight inflation with higher interest rates, and the mild winter, reduced sales.

The company said yesterday: "It is already clear that significant manpower reductions will be required in all areas of the company's business operations, but it would be inappropriate to speculate on the final number of redundancies which may be required."

Mr Tony Williamson, Hoover's managing director, said a fundamental examination of work practices and organisation was needed to improve competitiveness.

Mr Douglas Gadd, managing director of Hotpoint, Britain's leading appliance maker, which also cut its temporary workforce in January, said it was currently employing 400 people fewer than this time last year.

That reduction had come through natural wastage and regulation of the temporary workforce.

Sales of all appliances in the UK were down by 10 per cent for the first six months of the year, but the overall figure was held up by heavy demand for refrigerators. It masked a considerable drop in sales of washing machines and a fall in demand for cookers of about 20 per cent.

Most appliance manufacturers expect there to be no improvement in market conditions for at least a year, although a cold winter should help sales of heating appliances and clothes dryers, which have been especially depressed by last year's mild winter and the hot summer.

● Hoover's announcement was the second blow in two days for the Merthyr area in south Wales.

On Wednesday, British Coal announced the closure of the Merthyr Vale pit in Aberfan, which employs 526 people.

British Coal said that Merthyr Vale had lost £1.9m this year and £7.1m in 1988. Its aggregate loss was £33m.

The Merthyr Vale miners met their production target of 8,000 tonnes of coal a month only once in recent months.

Opposition attacks the high cost of borrowing

By Philip Stephens, Political Editor

THE Opposition Labour Party yesterday sought to further exploit the Government's discomfort over high interest rates with the claim that its mishandling of the economy would cost the average homeowner an extra £13 per week this year.

Mr Gordon Brown, Labour's Treasury spokesman, said a detailed analysis of repayments across a wide range of incomes and levels of borrowing demonstrated that mortgage costs now represent a larger proportion of incomes than ever before.

The publication this week of figures showing a £2.1bn current account deficit in July had confirmed that borrowers could expect no early respite.

Mr Brown said that for those on average earnings of around £14,000 per year the cost of servicing a typical £30,000 mortgage would jump by £687 in 1989 as a result of the mistakes made by Mr Nigel Lawson, the Chancellor of the Exchequer. Their repayments now took 32 per cent of take-home pay.

The effect of the rise in mortgage rates from 9.75 per cent last year to the present 13.5 per cent meant that for the typical mortgage of £35,000 taken out during the past year repayments amounted to 40 per cent of the take-home pay of average earners. That compared with a figure of only 23 per cent when the Government took office.

Those on higher incomes had also been badly hit, with a family with an income of £21,000 per year and a £55,000 mortgage facing a rise in repayments of £1,512 this year. Mortgage costs for that group were 45 per cent of net pay.

Mr Brown said that "mortgage misery" inflicted on homeowners by Mr Lawson was a direct result on his total reliance on high interest rates to cool consumer demand in the economy.

The Government's philosophy "appears to be that the harder homeowners are hit the better. This makes a mockery of the Chancellor's boasts of a soft landing for homebuyers", he added.

Executive wages stay below levels abroad

By Michael Skapinker

MANAGING directors of medium-size British companies still earn less than their counterparts in other industrialised countries, according to a report by P-E Inbucon, the management consultants.

In a comparison of 20 industrialised countries, the gross pay of the managing director of a UK company with an annual turnover of £30m puts him in fourteenth place, behind competitor countries such as the US, France, Germany, Italy, the Netherlands, Sweden, Denmark and Spain.

The net pay of American and Japanese managing directors is higher than the gross pay of their UK counterparts.

British managing directors remain in ninth place when their pay is adjusted for cost of living.

The report was published after widespread criticism from the Government and union leaders of large pay increases awarded to senior British executives, such as Lord King, chairman of British Airways.

Government spokesmen have argued that senior managers have already benefitted from reductions in the top marginal tax rate.

P-E Inbucon says that tax cuts have done little to bring the take-home pay of heads of smaller companies up to the level of managing directors elsewhere.

American managing directors have the highest level of net pay, followed by those in Japan, Switzerland, France, Italy, Germany, Austria and Spain.

Survey of International Taxation and Living Costs, P-E Inbucon, Park House, Wick Road, Egham, Surrey TW20 0HW. £195

UK side of tunnel link hits delays

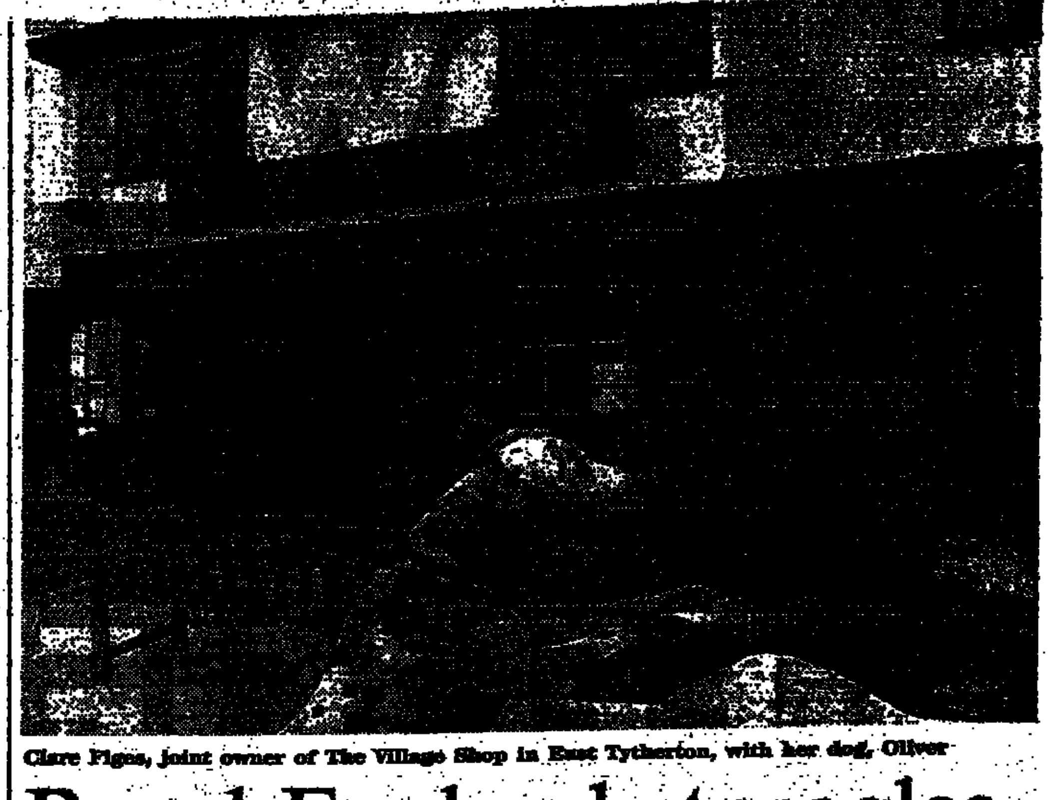
By Andrew Taylor, Construction Correspondent

BRITISH engineers excavating the main rail tunnels for the Channel tunnel project are currently running about a month behind schedule. They have hit similar difficult ground conditions to that which badly delayed the project last summer.

Progress on the both the French rail tunnels and the central service tunnel is running slightly ahead of schedule despite recent stoppages.

The share price of Eurotunnel has fallen by 222p to 775p since July 21 when the company announced it was seeking raise up to another £1bn in bank loans to meet unexpected increases in costs.

The group is holding meetings with Transmanche Link, a consortium of five British and five French construction companies contracted to design and build the tunnel, to ascertain by how much the cost of the project is expected to overrun.



Clare Figes, joint owner of The Village Shop in East Tytherton, with her dog, Oliver

Rural England struggles to survive the urban blitz

Jimmy Burns on the changing face of village life

SOON after moving into our new cottage in the depths of rural Wiltshire in 1987, the local farmer David Fry dropped in for a visit. "I bet you'll sell again before the year's out," he predicted.

Two years on, and we're still there. The kitchen garden, fertilised by his cattle, is overflowing with vegetables and the cold greeting has been replaced with neighbourly advice.

David Fry, for his part, admits to finding us a welcome change from the previous townies he had as neighbours. They turned one of the fields into a rubbish dump and went to court in an acrimonious boundary dispute. Yet even now a sense of deeply-felt disquiet underlies our exchanges.

Mr Fry has lived in the village of East Tytherton all his life. So did his father, a one-time tenant farmer who acquired his own land once death duties forced the local lord to sell off some of his estates and open his palatial residence to tourism.

By contrast, I belong to a generation of city workers that seized on the opportunity created by the property boom to carve myself a weekend niche in England's green and pleasant land on returning from a foreign posting.

As Mr Fry confessed the other week: "There is still a strong feeling among local people against people coming in from the outside. We're not so much against the incomers themselves as against the system that's created them."

The property pages of the local Chippenham Gazette and Herald testify to the social havoc the new mobile middle-class "townies" have wreaked in rural communities such as East Tytherton.

Quaint traditional dwellings dating back centuries have been re-roofed, damp-proofed, fumigated and rewired. These days they are on the market for £200,000 and more.

Such prices are beyond the reach of the fading numbers that work on the farms around East Tytherton for a basic wage of about £130 per week.

In the 1980s, at least 16 houses in East Tytherton have changed hands. Of the 200-odd inhabitants, only a handful are engaged in some form of agricultural activity in the picturesque landscape of hedgerows and grasslands.

The absence of affordable housing has contributed towards turning East Tytherton into a community partly made up of commuters, weekenders and the wealthy retired.

Yet, unlike some parts of Britain, the village has some way to go before disintegrating into an alien suburban culture. The rural idyll has not been irrevocably blitzed.

IMAGES OF BRITAIN

The village

In East Tytherton, 82-year-old Gracie Hillier – the longest surviving villager who remembers days of "traps and horses when people were very poor" – finds she has no axe to grind with another incomer who happens to be her neighbour.

"There are people I don't know from Adam, but the village shop, that's different. Since the Figes took it over it's helped people keep together," she says.

Clare and John Figes worked as a team of management consultants before moving from London to East Tytherton in 1980. Seven years later they bought the village shop and local post office, which had fallen into disuse.

"When we first started up here, the village rumours had us preparing to set up a rock recording studio and secretly organising Bacchanalian feasts ... I thought it would take us at least 10 years to get accepted," recalls Clare.

Soon after the Figes' arrival, John attended his first parish meeting to press the local community into resurrecting the old bridleways and public footpaths which had been ploughed over. A local farmer shouted him down as an alleged example of one of those townies that "never does anything but sit on his backside."

In fact, John and Clare had been studying very carefully not what damage they could inflict on the local community but the best way of introducing gradually the kind of schemes that might ensure its survival.

With its shiny wooden exterior and perfectly-moulded entrance, East Tytherton's new Village Shop displays a hint of urban pastiche in its architecture. But the tables and benches on the pavement now provide a meeting place in a village that has a Moravian Church but no pub.

Their village office is now also used to help produce East Tytherton's first community paper, the Tytherton Tatler.

As for the local state primary school, where Clare sits on the committee, survival has been achieved in the form of an innovative job share. This has prevented the migration of a teacher and helped to arrest the decline of attendance which in recent years had fallen from 60 to 40 children.

Clare knows what she has got out of East Tytherton. "In London, you can spend years without getting to know your neighbours. Here at least, there is some basis of communication, even if there is still polite hostility at times."

But as she is the first to admit, the village's survival is far from being assured by the gradual changes. She suggests that in the absence of cheap housing and farm jobs, the "only future for rural England may lie in tourism."

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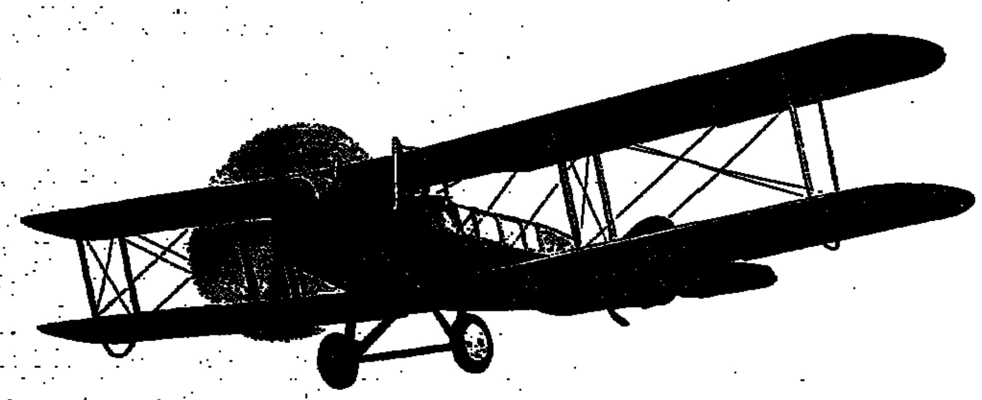


Listeria found in samples of pâté

By Christopher Parkes, Consumer Industries Editor

ONE IN 10 samples of pâté examined in a nationwide survey was found to be infected with listeria, a common but potentially deadly bacterium, the Department of Health announced yesterday.

Sir Donald Acheson, the Government Chief Medical Officer, immediately repeated last month's warning that pregnant women and people with low resistance to infection should avoid eating any type of pâté.

Sir Donald called on local authorities to find the causes of contamination and take steps to deal with them.

The risk for the average healthy person was, however, "very small indeed," he said, and the presence of listeria in food did not necessarily require immediate withdrawal of the product from sale.

J. Sainsbury, one of Britain's leading food chains, said its system of production control and routine testing for the presence of listeria ensured the quality of its products. There was no need to remove them from the shelves.

An industry code of practice for control of listeria during the manufacture of cooked and chilled foods would be introduced shortly, he added.

The national survey, carried out by the Public Health Laboratory Service, and involving almost 1,800 packs of pâté bought in different shops and made by various British and overseas companies, was ordered last month after smaller studies in Wales found the bacterium in more than half the samples.

Although 180 of the latest batch were infected, about two thirds contained low levels of listeria, Sir Donald said.

Listeria organisms were widely distributed in the environment: one in 20 people might carry them internally at any one time, and many different foods might contain them.

His advice applied only to vulnerable groups who were at particular risk.

"The rest of us can continue to eat the wide variety of pâtés available from shops and delicatessens," Sir Donald added, however.

There were 291 recorded cases of listeriosis in Britain last year – three times as many as in 1978 – of which 115 affected pregnant women, 26 of whom lost their babies.

Retailers urge Ridley to introduce curbs on cards

By David Barchard

RETAILER GROUPS are to press Mr Nicholas Ridley, the Trade and Industry Secretary, to impose much more drastic curbs on bank card payment systems than those recommended in the Monopolies and Mergers Commission Report published this week.

Mr Bob Woodman, director of the Retail Consortium, which handles negotiations between the big retailers and the banks, said yesterday he would urge Mr Ridley to attack what he described as "the cartels called Visa and MasterCard which are being operated by the banks."

He said the Government should force banks to compete on the interchange fee paid by a bank handling credit card vouchers to the bank issuing the card.

"This is a non-competitive charge set by the banks between themselves and it is passed straight on to the retailer," Mr Woodman said.

He said the consortium would also ask that retailers should also be allowed to chose to accept only debit cards and not credit cards for which a commission is charged.

"Some of our members would like to take debit cards and not credit cards. Under present rules, they have to take all cards bearing the symbols of Visa and MasterCard if they join either system," Mr Woodman said.

Commuters face 25% rise in rail tickets

By Kevin Brown

FARE RISES of about 25 per cent are being considered by British Rail for long-distance commuters using InterCity season tickets to and from London.

Discussions on the level of the increase are taking place at BR's London headquarters between Mr John Prideaux, InterCity director, and the corporation's marketing and financial officials.

Agreement on a figure of about 25 per cent is said to be close, however, and an announcement is expected next month.

The increase would take effect in January. It follows an increase of 21 per cent in long-distance season ticket prices earlier this year. BR is thought to be planning to double the 1988 level of prices by 1992.

BR officials say the increases are needed to finance investment in rolling stock and to cover the cost of providing long-distance services. They argue that long-distance commuters get the best services while paying lower fares than other railway passengers.

For example, even after this year's increase in prices, season tickets from Swindon, in the west, are charged at just over 7p a mile, compared with more than 10p a mile for the cheapest off-peak saver fare.

The effect of this, BR says, is that long-distance commuters are being subsidised by suburban and short-distance commuters who pay much higher rates per mile.

The increases bring in substantial extra funds to help offset the abolition of subsidies to InterCity in March this year. InterCity lost £86m in 1987/88, but returned an operating profit of £57.4m last year.

However, this reasoning will not impress the estimated 15,000 long-distance commuters. Last year's increase met a chorus of criticism from commuters' associations, politicians and the railway trade unions, and that is likely to be repeated.

Eurotunnel hampered, Page 6

Market 'may be reshaped' after Community directive

By Richard Waters

LONDON'S three-tier stock market may need to be restructured as a result of a European Community directive which comes into force at the start of next year, the Stock Exchange said yesterday.

Options under consideration are merging the Unlisted Securities Market and Third Market, or even doing away with them altogether.

The review has been prompted by the Mutual Recognition of Particulars directive. It will require stock exchanges in the Community to accept a company from next January if its listing particulars have been accepted by a stock exchange in any other member state.

In some member states, such as France, companies need a trading record of only three years before being accepted for listing, the minimum required by a separate EC directive. That compares with a minimum five years in the UK.

To remain competitive internationally, London's International Stock Exchange is likely to reduce its five-year rule to bring it into conformity with other states. In the process, however, advisers in the City of London fear that it could undermine the Unlisted Securities Market. The USM already applies a three-year trading record rule, and so would suffer from having to compete with the main market.

The exchange's announcement yesterday that it has begun a consultation process on the issue is believed to have been prompted by concern from advisers who fear for the future of the USM.

The exchange said its options were either to leave the three-tier structure as it is, to merge the USM and Third Market into one junior market or to abandon both in favour of a single Official List.

The first option is widely discounted, since the rule on trading records is one of the main distinguishing features between the two markets.

Other distinctions are said by advisers to be less significant. For instance, a company seeking a full listing through an offer for sale must place prospectuses in two national newspapers, while a small box in one newspaper is enough to go to the USM. That is largely irrelevant, since most USM companies achieve a listing through a placing, rather than a USM.

Similarly, most USM companies do not benefit from the rule that they need only release 10 per cent of their shares, while listed companies must release 25 per cent. According to Mr Graham Cole, of accountants Deloitte Haskins & Sells, USM companies usually go to at least the 25 per cent level since otherwise they would be not be making enough of their shares available to create a liquid market.

Companies seeking a Third Market listing do not need to demonstrate a track record. Like USM companies, they are also not covered by the EC directive's three-year rule, since they are not part of the Official List.

Securities watchdog under fire on compensation proposals

By Richard Waters

THE Securities and Investments Board, Britain's chief regulator under the Financial Services Act, ran into immediate hostility yesterday from the life assurance industry and savings institutions when it proposed to draw them into the financing of its compensation scheme.

As part of a review of the scheme, which was launched a year ago, the SIB said life companies and building societies, savings institutions deal primarily in home loans, should bear part of the cost since they benefitted from the improvement in investor confidence created by the the scheme.

The Association of British Insurers immediately attacked the proposal as "ill-conceived and unfair", and pointed out that insurance companies already paid towards their own compensation scheme.

Required by the Policy Holders' Protection Act, this scheme meets 90 per cent of claims, with no limit. By contrast, the scheme under the Financial Services Act – which pays out the first £30,000 of a claim and 90 per cent of the next £20,000 – has a ceiling of £48,000 for each claim.

The Building Societies Association said it was unfair to force societies to contribute towards the scheme. It said societies were wholly liable for their investment subsidiaries and so could not look to the scheme to bail them out.

The SIB, which has the power to override opposition, preferred yesterday to take a conciliatory stance, saying it believed the issue could be resolved through discussion.

The SIB is also proposing that firms within each branch of the investment industry pay a greater proportion of the claims caused by others in the same field. Above a certain limit, claims would be spread across all investment firms equally.

At present, firms' contributions are based on their relative revenues. For instance, members of The Securities Association must currently meet claims of up to £80m in any one year which are caused by other TSA members.

On the other hand, members of the Financial Intermediaries Managers and Brokers Regulatory Association are liable for only the first £12m of claims caused by its members.

Fiat likely to decide on car plant this autumn

By John Griffiths

FIAT, Europe's biggest car maker, is expected to decide this autumn whether to locate in the UK a £1bn plant to produce cars of similar size to its Tipo hatchback.

A decision is understood to be high on the agenda for Italy's largest private industrial group when normal business life in the country resumes next week after the traditional August holiday lull. Spain and a further location inside Italy are also on a short-list compiled by the company.

Fiat, which already makes more than 2m cars a year under the Fiat, Lancia, Alfa Romeo and Autobianchi badges, considers itself to be under increasingly severe pressure to instal new capacity.

In part, this is because its car plants, all within Italy, are working flat out but are still unable to meet demand.

It is also concerned, however, to be able to supply many more cars by the end of 1992, when competitive pressures will be sharply increased both by the dismantling of the EC's internal trade barriers and an increase to 300,000 cars a year in combined output from Nissan's and Toyota's "transplant" factories in the UK.

The plant being considered by Fiat would in itself be capable of building up to 300,000 cars a year, and would thus offer lucrative business to the components industry of the host country.

Fiat in Turin so far has failed to indicate which of the three potential locations is the front runner.

Mr Peter Quaglia, managing director of Fiat Auto (UK), however, stressed in London yesterday that a UK site for the car producer "is still under serious consideration".

All three locations are understood to be considered by Fiat as potentially cost-competitive. A further site in Italy has the obvious advantage of being close to Fiat's existing car-making centres, making the flow of component supplies easier.

Rising rat population plagues UK authorities

By Joel Kibazo

THE RAT population in England and Wales increased last year by an average of 20 per cent, according to a survey of local authorities published today.

The survey, carried out by the Institution of Environmental Health Officers, is the first nationwide investigation into the size of the rat population and the problems caused by rats.

A variety of contributory factors are cited in the report for the increase.

The report said the general proliferation of litter, particularly food waste, had created food opportunities and places to harbour rats. "Waste storage and disposal practices also contribute in attracting rats to an area."

One of the problems highlighted by the report is a general deterioration of drainage and sewage systems in many areas, which created ideal breeding grounds for rats.

The report said 35 local authorities were critical of their water authorities "for a lack of policy on regular sewer baiting, and being generally slow to co-operate in any remedial work concerning minor sewers in their control."

The report says inner city demolition and rebuilding programmes, had driven rats into areas where they are "visible."

The report also reveals a big increase in other pests, such as cockroaches, lice, fleas and bed-bugs, which is significant as they were potential disease spreaders.

Among the reports recommendations is that water authorities liaise more closely with local authorities in identifying funds needed for adequate pest controls, public awareness campaigns on the problems caused by litter, be started.

The report said: "If the recommendations contained in this report are not acted upon by local Authorities, Central Government, Water Authorities, and statutory undertakers, the increase in the rat population will continue."

Owen calls for UK membership of European Monetary Union

By John Mason

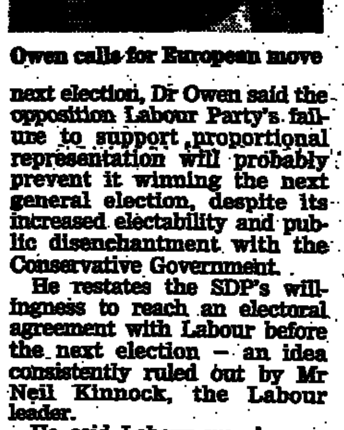
BRITAIN should join a European monetary union which was anti-inflationary and not a Trojan horse for political federalism, Dr David Owen, the leader of the centrist Social Democratic Party, said yesterday.

Dr Owen, a former foreign secretary in the last Labour government, supports full British membership of the European Monetary System, but said that the Delors report on monetary union could take too many powers from individual member states in areas such as fixing direct taxes and borrowing requirements.

Writing in policy documents to be considered at next month's SDP conference, Dr Owen said that closer co-ordination need not mean the Council of Ministers should have power to impose constraints on national budgets nor implement a single monetary policy.

The papers predict growing strains within the EMS as France removes exchange controls and West Germany's trade imbalance with the rest of the community widens. It would be better for the UK to be contributing from the inside rather than commenting from the outside, however.

On the possible result of the next election, Dr Owen said the opposition Labour Party's failure to support proportional representation will probably prevent it winning the next general election, despite its increased electability and public disenchantment with the Conservative Government.



Owen calls for European move

He restates the SDP's willingness to reach an electoral agreement with Labour before the next election – an idea consistently ruled out by Mr Neil Kinnock, the Labour leader.

He said Labour was becoming more electable because it was rediscovering the virtues of social democracy. But "If Labour's present go-it-alone mood holds, they will ignore that crucial margin of votes that an agreement with other parties could bring."

Voters would also need more convincing that Labour's policy changes, on issues such as unilateral disarmament, the social market and membership of the European Community, were not just superficial.

The policy document says that despite Labour's encouraging results in the European elections, it still has little chance of outright electoral victory under the first-past-the-post system, and there is now a continuing shift of opinion in the party to PR.

The Green Party's rise in popularity also demonstrates that Britain has not yet returned to two-party politics, Dr Owen said. Co-operation between the Social and Liberal Democrats and SDP continued to make sense within the present electoral system.

On domestic policy, The policy document claims public support for the state run National Health Service and state education, demonstrated that public opinion still adhered to essentially social democratic values.

Yorkshire Water joins in pollution advice venture

By Ian Hamilton Fazey, Northern Correspondent

YORKSHIRE WATER is setting up a joint venture with the Hoogovens group, based in the Netherlands, to offer the advanced technology of treating water and effluents to industry.

The British market alone is estimated at £100m and is expanding as pressure mounts for a cleaner environment.

The investment is worth only £150,000 but is expected to provide Britain's first one-stop shop for diagnosis of water and effluent pollution, followed by the designing and building of plant to solve it.

The various functions are at present fragmented between consultants and plant manufacturers.

The venture will be based in High Wycombe, Buckinghamshire, where Esmil Water Systems, the UK subsidiary of Hoogovens' specialist water treatment company, is already sited.

Esmil has worldwide experience of systems used by the electronics industry to ensure that water used in microchip manufacturing and other sensitive processes is ultra-pure.

The pharmaceuticals and food industries also use the purest water possible.

Yorkshire Water first noticed Esmil when it installed the water and effluent treatment systems for Coca-Cola's bottling, canning and distribution depot in Wakefield, one of the largest of its kind in the world.

The new company will also offer applied-technology services for waste water treatment in the chemical, petrochemical, and oil industries, as well as desulphurisation of flue gases at power stations, to remove one of the causes of acid rain.

Desalination of brackish water will be another speciality.

Yorkshire Water will have 51 per cent of the new company, which has yet to be named. Numbers employed will depend on sales, but most jobs will be for process, chemical and biomechanical engineers.

THE PROPERTY MARKET

Finding virtue in patience

Paul Cheeseright reports on Greycoat's unworried approach to the property cycle

Shortage of supply, switching to surplus as property developers catch up with and then overshoot demand: the traditional property cycle does not worry Greycoat. The group, whose staple business is the development of large central London offices, just carries on.

On the face of it, the total amount of office space coming on stream in London looks sufficient to absorb latent demand or at least to give tenants a wider choice. It would seem a strange time to be setting up large new projects. But this is what Greycoat is doing.

It expects to have three large projects on hand at any one time. This week it secured the final leasing for the current batch of bigger developments – Finsbury Circus in the City, Buckingham Palace Road and Embankment in the West End.

The next generation of projects will be Moor House in the City, a 1960s building, which is let on short-term tenancies but which will probably be redeveloped from 1991, and two other as yet unspecified projects in the West End, one coming from a site assembly, the other from an acquisition.

From Greycoat's point of view, the cycle is something to be aware of. Moor House is a case in point. "We can, within limits, choose when we get possession," said Geoffrey Wilson, the chairman. But there are, broadly, two reasons why, with Greycoat's speciality, the cycle cannot be taken as an overriding factor in the way the company approaches its business.

First, experience shows that "the nature of the business is to keep on going," as Mr Wilson put it. Things happen because they are made to happen. "The gestation period is such that you can't say 'I'll come back in when rental levels rise.'"

The second follows from the notion that property is "a micro, not a macro business." That is, it is very local. "There is an amount of office space coming on stream," acknowledged Mr Wilson, "but not in the areas where we operate." This is demonstrated by the recent pre-lettings.

Put another way, this is the argument adopted by larger groups – Land Securities and Hammerson among them – that space in the best central locations will always be absorbed. The argument stands up short of any economic catastrophe. And that prospect is outside the scope of Mr Wilson's thinking.

"If you look at the backdrop of a stable political system, a solid economy and London as the capital of Europe, there will always be a demand for excellent cost-efficient buildings in central London," he said.

Rather than seeing the current stage of the London office cycle as being a time to stand back from the market, Mr Wilson talked rather of "a time of special opportunity." The thinking here is that, with the financial climate changing, some companies will succumb, others will be more inclined to sell sites. At any rate, acquisitions will be easier.

This attitude is a reflection of the greater strength of the company. Greycoat indeed has graduated from a dependence on institutional funding and the surrender of equity in a project to an ability to mix its own financial cocktails to retain all the equity in a project.

After one of its early City projects, at Cutlers Gardens, it was left with 6 per cent of the property. But Embankment, Finsbury Circus and Buckingham Palace Road will remain wholly owned. This has been done by arranging money with a low initial cost – deep discount bonds, for example – and taking the full burden of repayment at a time when the revenue of the building is high enough to ensure that cash flow matches interest payments.

The problem of dealing with interest payments which are higher than revenue has dogged developers. It has been an important factor in pushing them into the hands of institutions prepared to pre-fund or pre-buy a property. While this offers a measure of financial security, it confines the developers profit and leaves the institution with all the capital growth.

"Our income goes towards debt payments. We are an asset value company," asserted Mr Wilson. "We have been playing the same tune since our inception." This is the classic aspiration of the property investment company. "I suppose we see ourselves as a smaller version of Land Securities, but a little more adventurous."

A distinct difference between the two, however, is that Land Securities has eschewed the international property market. Greycoat has put its foot into the New York and Washington DC markets, first with refurbishments and now with new development.

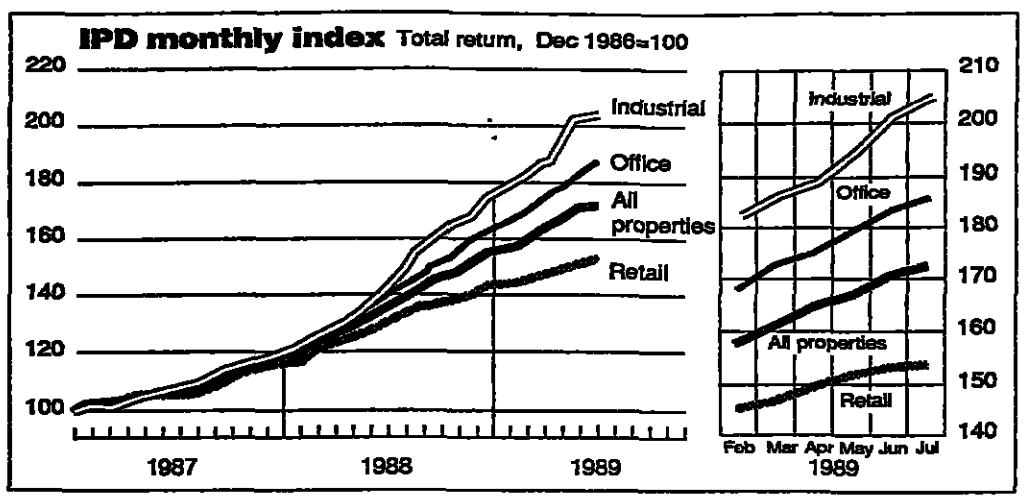
It is a very different pool from that of central London where Greycoat has become accustomed to the comfort which comes from being able to pre-let a whole building. There has been nowhere to match London for speedy lettings. In New York, the whole process is much slower and therefore the period of financial exposure is more extended.

Mr Wilson sees the US market as a complementary business for Greycoat. "There has been a long period in New York and Washington with very little rental growth. The next decade will see a catching-up in rental levels – this is a good reason for buying there," he said.

But the US accounts for only 8 per cent of Greycoat's activity. Its present development programme is costing £700m. All the funding for the programme is in place. Gearing, which now stands at just over 30 per cent, will go up to 60 or 70 per cent as finance is drawn down for the developments. This level, Mr Wilson suggested, "is readily commensurate with a large development programme."

The market has generally taken a friendly view of the company and is expecting its net asset value per share to rise from 523p at the end of last March to somewhere between 740p and 780p at the end of this financial year as valuation surpluses on development properties are taken into account.

But the market has also been speculating about a bid for Greycoat. There has never been anything to justify the rumours, asserted Mr Wilson. "It is arrant nonsense," he said.



Lowest returns of the year

RETURNS IN THE property market last month were high in historical terms, but with an increase of 1.4 per cent were the lowest of the year, according to the latest figures from the Investment Property Databank.

The market continues to be spurred by rental increases but the emerging picture of declining total returns has been confirmed in the portfolios measured by IPD. The annual rate of return in the year to last December was 31.7 per cent, but had slipped to 24.6 per cent for the year to the end of July.

Industrial property has remained the strongest performer and this is the only sector which continues on a rising trend. But there are geographical differences and the market is strongest outside the south east. In July alone the sector showed rental growth of 3.6 per cent. Capital growth was 1.8 per cent. These are higher figures than those recorded for the other sectors.

The office market remains very firm and has been showing what IPD called "explosive growth" in the major regional centres. Outside the South East, indeed, rental growth was 4.2 per cent in July and 31 per cent for the year to July.

Overall, office property has seen a further fall in net income yield to 4.6 per cent.

Retail property returns in recent months have been higher than first expected but in July there was evidence of a cooling market. Rental growth was 0.8 per cent. Yields were slightly wider. This sector is the weakest on the property market, giving an annual return to last July of 15.7 per cent.

In coming weeks, IPD figures breaking down total returns, rental values and capital growth into monthly, quarterly, and yearly percentages will be presented in tabular form.

INTERNATIONAL PROPERTY

LEGAL NOTICES

COURT OF SESSION, SCOTLAND

MURRAY TECHNOLOGY INVESTMENTS PLC

NOTICE IS HEREBY GIVEN That in a Petition by Murray Electronics PLC (now renamed MURRAY ENTERPRISE PLC) and Murray Technology Investments PLC ("the Company") to the Court of Session, Scotland for an order sanctioning a Scheme of Arrangement and for Confirmation of Reductions of Capital the Court on 17th August 1989 granted an order approving the Scheme of Arrangement; Confirmed the Reduction of Capital; approved the Minutes annexed to the Report by JH Maclie, Esq., W.S.; granted an order directing that the provisions of Sections 136 (3) to (5) of the Companies Act 1985 shall not apply as regards the creditors of the Company or any class of them or the creditors of Murray Electronics PLC or any class of them.

Said order together with the said Minute and a Certified Copy of the Scheme of Arrangement referred to therein were duly registered with the Registrar of Companies in terms of Section 425 (2) of the Companies Act 1985 on 18th August 1989; notice of which registration is hereby given.

McGRIGOR DONALD,
Solicitors for the Company
50 Albany Street,
Edinburgh.

August 1989.

MURRA.CRT (EJM)

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MURRA.CRT(EJM)

COMPANY NOTICES

GENERAL MINING UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 01/01232/06)

(formerly General Mining & Finance Company Limited)

SHARE WARRANTS TO BEARER

NOTICE IS HEREBY GIVEN TO HOLDERS OF SHARE WARRANTS TO BEARER ("GENCOR BEARERS") that a General Meeting is to be held on Monday, 18 September 1989 to consider special resolutions necessary to:-

- Sub-divide the ordinary shares (including Gencor bearers) on a 10 for 1 basis; and
- Change the name of General Mining Union Corporation Limited to GENCOR LIMITED

-A circular containing full details of the sub - division of ordinary shares and change of name will be available on and after 29 August 1989 from:

Gencor (U.K.) Limited
Credit du Nord
Credit Suisse
Swiss Bank Corporation
Union Bank of Switzerland

Recording Change of name and Sub-division on Gencor Bearers

On the basis that the proposed special resolutions are passed by ordinary shareholders on 18 September 1989 the method by which the sub-division and change of name will be recorded on Gencor bearers is by adhesive labels.

Supplies of these labels will be available on and after 20 September 1989 from:

Gencor (U.K.) Limited
30 Ely Place
London EC1N 6UA

Credit du Nord
6 & 8 Blvd. Haussmann
75009 Paris
France

Credit Suisse
Paradeplatz 8
CH - 8021 Zurich
Switzerland

Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle
Switzerland

Union Bank of Switzerland
45 Bahnhofstrasse
CH - 8021 Zurich
Switzerland

Exchange of Talon No. 7

Information regarding the exchange of Talon No. 7 for new sheets of coupons will be announced on or about 1 November 1989. In the meantime Gencor bearers will be good delivery with Talon No. 7 attached.

25 August 1989

per pro. GENCOR (U.K.) Limited
London Secretaries
L J Baines
30 Ely Place
London EC1N 6UA

GADEK (MALAYSIA) BERHAD

(Incorporated in Malaysia)

To the Shareholders

NOTICE OF EXTRAORDINARY GENERAL MEETING

Upon the requisition made on 10th August 1989, pursuant to Section 144 of the Companies Act, 1965 and Article 73(D) of the Articles of Association of the Company by SHARIKAT PERMODALAN KEBANGSAAN BERHAD who holds more than 10% of the paid-up capital of the Company, NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held in the Board Room of Gadek (M) Berhad, Suite 14.02, 14th Floor, Wisma SPK, Jalan Sultan Ismail, Kuala Lumpur on Monday, 18th September 1989 at 10.00 am for the purpose of considering and, if thought fit, passing as an Ordinary Resolution the following resolution:-

"That Tuan Haji Haider b Haji Darus be and he is hereby removed from office as Director of the Company."

BY ORDER OF THE BOARD

AHMAD SHAHAB BIN HAJI DIN
RIDWAN BIN MUSTAFFA
SECRETARIES

Kuala Lumpur
Dated:25th August 1989

Notes
(1) A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to vote in his stead. A proxy need not be a member of the company but unless he is then by the provisions of Section 149(1)(b) of the Companies Act, 1965, he must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
(2) The instrument appointing a proxy must be deposited at the registered office of the company not less than 48 hours before the time set for the meeting.
(3) Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.
(4) In the case of joint holders, the proxy form signed by the first named shareholder shall be accepted to the ex lusion of the other registered joint holders of the shares.

EDUCATIONAL

LEGAL NOTICES

F S Assurance Limited

A Petition having been presented to the Court of Session by FS Assurance Limited a company incorporated under the Companies Acts 1948 to 1967 (registered number 47222) and having its registered office at 190 West George Street, Glasgow G2 2PA for sanction of a Scheme under which the long term business of FS Assurance Limited is to be transferred to Britannia Life Limited under section 49 of the Insurance Companies Act 1982, the Vacation Judge by Interlocutor dated 22nd August 1989 appointed the Petition to be intimated on the Walls and in the Minute Book in common form and to be advertised once in the London Gazette, the Edinburgh Gazette and the Belfast Gazette and once in each of The Scotsman, Glasgow Herald, Financial Times and The Daily Telegraph newspapers, directed service of a copy of the Petition on Her Majesty's Secretary of State for Trade in common form, dispensed with the requirements of section 49(3)(b) of the Insurance Companies Act 1982, and appointed all parties claiming interest to lodge answers to the Petition if so advised within 21 days after such intimation, service and advertisement.

All of which intimation is hereby given.

Biggart Baillie & Gifford WS
105 West George Street
Glasgow
G2 1QP

25th August 1989

Solicitors for the Petitioners

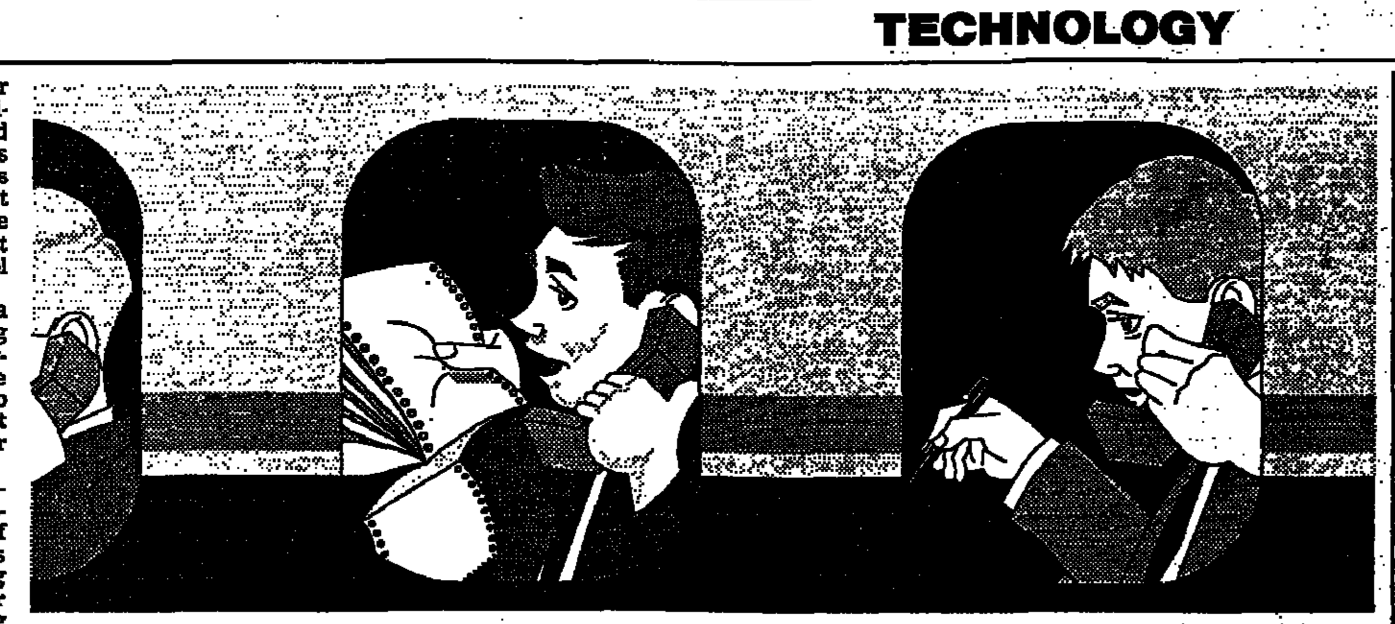
NORTHUMBERLAND ENERGY WORKSHOP LIMITED

Registered number: 1403581 Nature of business. Design & Supply of Renewable Energy Sources. Trade classification: 03. Date of appointment of administrative receiver 6 August 1989. Name of person appointing the administrative receiver. Bank of Scotland plc.

DAVID MILES MIDDLETON
Administrative Receiver
(Office holder no 208)

Cork Gully
Archbold House
Archbold Terrace
Newcastle Upon Tyne. NE2 1DQ

CLUBS



Up above the clouds, the workaholic's dream

Rachel Johnson reports on the advent of the in-flight office

Executives who prefer to travel incommunicado can look forward to undisturbed flights for one more year. Workaholics will be thrilled to hear that from 1990 the in-flight office could become as much a part of flying as air traffic control snarl-ups.

From next month, for $9.50 a minute, credit card carrying passengers on a British Airways Boeing 747 can make direct-dial calls via satellite to anywhere in the world (except while the aircraft is over either of the poles).

The equipment will ultimately be used to enable passengers to have the pleasure of sending and receiving faxes and telexes and of connecting their lap-top computers to their earthbound offices, depending on how intent they are on avoiding office withdrawal symptoms or wrapping up a crucial deal.

The ground was laid for this development in February, when passengers took part in a trial which enabled them to make calls to any number reachable via satellite and British Telecom's international service.

The trial used just one satellite and one transmitter-receiver terminal on the aircraft. Inmarsat, the international agency operating satellite services for the world's merchant ships, says that next year satellite capacity will be available as fast as airlines can install terminals.

More satellites coming into orbit, coupled with airlines' interest in equipping their jets with inviting electronic gadgets, mean that the in-flight office is coming ever nearer.

Inmarsat is sending up a "second generation" of satellites to increase capacity. At the moment, one set of equipment on an aircraft provides only two voice channels. The new satellites will (from autumn next year) offer four, while later in the 1990s Inmarsat envisages that the satellites' spot beams will be concentrated in areas of high traffic densities and carry up to 32 channels.

Fintan Ryan, head of the aeronautical services development group at Inmarsat, explains the blessings that this will bestow on pilots and busy passengers.

"At present, terrestrial communications are limited because short-wave radio is at the mercy of the ionosphere. When sunspots appear, or solar flares, the electrical properties of the band are affected and so is short-wave reliability."

There are also radio black holes to contend with. On a San Francisco-Tokyo 10-hour flight, for example, pilots have very high frequency (VHF) contact for only about 90 minutes, while high frequency (HF) transmission can be non-existent, leaving periods when no contact is possible.

Satellites make navigation more reliable – and worldwide passenger correspondence possible for the first time. While North American airlines, such as Air Canada, boast on-board telephones, these do not work when the aircraft is over the sea because they depend on land-based radio frequencies. When aircraft are fitted with antennae, which automatically position themselves with a beam steering unit to receive and relay signals to a satellite, there is no need to rely on VHF and HF radio signals.

Leaving crackles and poor reception 22,000 miles behind, satellites in geostationary orbit – hovering over the equator – enable pilots to keep in constant touch with base by taking over whenever the aircraft is out of sight of VHF stations. And with the necessary hardware, executives on board will be able to work, work, work.

The communications package that opens the way for both navigational improvements and the in-flight office costs between $250,000 and $500,000. It comprises an antenna (looking rather like an extra fin) and a compatible set of avionics, plus handsets, fax and telex equipment.

The Racal Avionics antenna used in the trial was powerful enough to support the transmission of voice, fax, telex, and data (via a modem) at a moderate rate between a lap-top and the user's office computer. Cheaper, smaller antennae can support data and telex services at lower speeds, and be upgraded to carry voice and fax.

"The executive could use his PC while talking on the phone and the pilot could talk to his flight co-ordination centre to resolve a logistical problem at the same time," Inmarsat says. An encryption facility on top of the satellite frequency will make air-to-ground calls almost impossible to intercept – so anxious executives can relax when they transmit sensitive data about bids and deals.

But will the in-flight office really take off? The test Skyphones were unexpectedly popular. BA expected only 5 per cent of passengers to avail themselves of the system, but more than 15 per cent could not resist making that mid-air call. One passenger ran up a bill of $350 during his transatlantic flight.

And there is institutional support for satcoms from the European Space Agency, the Paris-based research and development organisation. Calin Rosetti, from the satellite communications department of the ESA, says that a dedicated satellite for aircraft communications is long overdue.

He has no doubt that airlines will be tempted to install the packages "for advertising and prestige at least," to help them hold on to business travellers.

Ovum, the London-based consultancy, is sure that there is a niche market. David Lewins even spots advantages which the in-flight office would have over a cellular car phone. "You can use a mobile phone in a car and drive, but you can't do paperwork. In a plane, you can duplicate your office and do deals all day long."

Instant voice communications are likely to be the key aspect of the mid-air office. A takeover saga could rumble on during the flight, whereas a fax is "not so time critical," Lewins says.

As for pricing, the present tariff for calls (less than $10 a minute) is unlikely to be prohibitive to first and business class travellers, because companies will probably pick up the bill.

The size of the potential market is not too difficult to estimate – "all first class passengers flying the Atlantic" – according to Lewins. BA, for example, flies 212,000 first class and Concorde passengers to North America from Heathrow each year.

Hans Karlsen, in charge of corporate aviation at Inmarsat, adds to this the executive jet market which runs to about 3,000 aircraft. Executives visiting oil fields, plantations or third world countries with dodgy telephone networks could use their jets as "portable telephone boxes."

For commercial carriers, since VHF and HF sets already cost $120,000 to $130,000 they may not quibble about replacing current equipment with superior satcoms. Already, United Airlines and Japan Air Lines have placed orders for the low data rate equipment on 35 aircraft.

Anyone who has suffered airport delays is likely to welcome the use of satcoms in air traffic control. Whether the executive traveller wants to be faxed in mid-flight, or be asked to call home, is not quite so clear. An ESA-commissioned survey revealed that while 25 per cent of passengers were interested in the in-flight office, "nobody wanted someone to call them during the flight." However, the possibility of making hotel or car bookings, or informing someone of a delay, was welcomed.

Short term, there is relief for the ambivalent executive. Ground-to-air calls are not being offered until a way of contacting individual passengers is sorted out.

WORTH WATCHING

Edited by Della Bradshaw

Advice on a crime risk

A SIGN of the times is the growing need of companies and financial institutions to protect their property and customers.

In the US this has become a particular problem for banks with cashpoint machines, because customers are often robbed as they take out money – and then they sue the bank for providing inadequate security.

To offer companies a way of avoiding this, Cap Index of Pennsylvania has devised a way of advising on the degree of risk. It has developed an algorithm which uses information on the neighbourhood – such as housing, population and income characteristics – to predict a site's vulnerability.

US companies are using the service to decide where to put new offices, service stations and banks.

Companies with a number of outlets are using it to calculate which stores or cashpoint machines should be protected.

Cap is developing similar services for Australian and Canadian companies. In Europe, some have shown

Key that opens dealing lines

FINANCIAL dealers can now add another piece of portable technology to their portable telephone and electronic organiser.

They can carry trading information on a keycard supplied by Wyatts, a subsidiary of Reuters. The card, which contains 64 kbits of computer memory, is inserted into the dealerboard workstation used to make phone calls and conclude deals.

When the keycard is inserted, liquid crystal display units on each of the 32 dealerboard keys light up with the names or phone numbers of the institutions with which that particular dealer does frequent business. By pressing the buttons, he phones that company.

The boardroom picture show

GIVING presentations in a company boardroom often involves a mish-mash of slides, computer graphics and video.

The solution could be a large screen based on the cathode ray tube – the kind used in television sets – which can display a combination of computer graphics and television and video pictures.

A system which allows graphics to be transferred from the personal computer to the boardroom has been developed by Mitsubishi Electric. Through an infrared remote control unit, the person giving the presentation can flick between video pictures and PC graphics on the 37-inch screen.

Pictures have television clarity and can be seen without dimming the lights. The screen can accept video pictures recorded under any of the international standards – Pal, Secam or NTSC.

The casting computer

ALL THE world may be a stage, but trying to find the right men and women for a show or television programme is no easy task.

To make it a quicker and more exact process, the BBC's Interactive Television Unit has developed a system which allows actors and actresses to be chosen for a television role through personal details held on compact disk.

Lasercast is an electronic casting directory aimed at the main television and film companies. It will contain details of age, type of roles preferred and previous parts, as well as a photograph.

It will allow the director to search for cast members with specific talents by feeding in a number of parameters. So if someone were looking to cast Sherlock Holmes, they could search for someone who played the violin, smoked a pipe and had a penchant for tweeds.

Lasercast runs on an Apple Macintosh computer with a CD-Rom player. The first disks will be published in December.

Keeping up with the big boys

SMALL and medium-sized companies in the UK can now get their hands on software that has in the past been used mainly by large corporations.

The US software company Relational Technology has decided to make its relational database package Ingres, which is used by the likes of General Electric and Chrysler, available to companies with offices boasting as little as one personal computer (PC).

Relational databases allow companies to store masses of data on their computer, and then to extract information according to a pattern. For example, the police use these systems to sift their files for likely perpetrators of a crime.

In the UK, the PC Ingres system will be sold through Frontline Distribution, of Basingstoke. The package, costing £900, will run on IBM or compatible PCs.

New look for the wheelchair

THE WHEELCHAIR has been redesigned by a French company to take advantage of developments in the aerospace industry.

Poirier has developed a chair which has a frame made of the composite materials developed by the French aerospace company Aerospatiale, such as types of glass fibre.

The resulting wheelchair weighs just 13 kg, little more than half the weight of previous designs. To give it strength, the frame is thermo-glued to side panels made from anodised aluminium.

The company has also decided to jazz up the wheelchair's traditionally sombre appearance by making it available in 12 colours.

CONTACTS: Cap Index: US, 215 364 9100. Wyatts: UK, 0227 [illegible]. Mitsubishi Electric: Japan, [illegible] London 950 6700. Relational Technology: US, 212 557 7722. Frontline Distribution: UK, 0256 463344. Poirier: France, 47 42 01 69.

Monopolies and Mergers Commission report on the supply of beer

Notice published by the Secretary of State for Trade and Industry under section 91 of and Schedule 9 to the Fair Trading Act 1973.

Proposed orders under sections 56(2) and 90(2), (3) and (4) of, and paragraphs 1, 2, 4, 8, 9 and 14 of Schedule 8 to, the Fair Trading Act 1973 relating to the supply of beer for retail sale in the United Kingdom.

1. Section 91(1) of and Schedule 9 to the Fair Trading Act 1973 ("the Act") require the Secretary of State, before laying before Parliament a draft of an order under section 56 of the Act which exercises any of the powers specified in Part II (that is, paragraph 14) of Schedule 8 to the Act, to cause to be published, in the London Gazette, the Edinburgh Gazette and the Belfast Gazette and in two or more daily (other than local) newspapers, a notice:
(a) stating that it is proposed to lay a draft of the order before Parliament;
(b) indicating the nature of the provisions to be embodied in the order;
(c) naming a place where a copy of the draft will be available to be seen at all reasonable times; and
(d) stating that any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing (stating his interest and the grounds on which he wishes to make the representations) before a date specified in the notice (that date being not earlier than the end of the period of thirty days beginning with the day on which publication of the notice is completed).

2. Section 91(2) of the Act requires the Secretary of State, before making any other order under section 56 of the Act, to publish, in such manner as appears to him to be appropriate, a notice:
(a) stating his intention to make the order;
(b) indicating the nature of the provisions to be embodied in the order; and
(c) stating that any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing (stating his interest and the grounds on which he wishes to make the representations) before a date specified in the notice (that date being not earlier than the end of the period of thirty days beginning with the day on which publication of the notice is completed).

3. In the case of a notice within paragraph 1 above, the Secretary of State is required by Schedule 9 to the Act to consider any representation duly made with respect to the draft order and not withdrawn.

4. In the case of a notice within paragraph 2 above, the Secretary of State is required by section 91(2) of the Act to consider any representations duly made to him in accordance with the notice before the date specified in the notice.

5. The Secretary of State accordingly hereby gives notice that following receipt of the report of the Monopolies and Mergers Commission entitled "The Supply of Beer – a report on the supply of beer for retail sale in the United Kingdom" ("the Report") presented to Parliament by the Secretary of State for Trade and Industry by command of Her Majesty on 21 March 1989 (Cm 651) he intends to make two orders under sections 56(2) and 90(2), (3) and (4) of the Act for the purpose of remedying or preventing adverse effects specified in the Report, one ("the First Order") being made under paragraphs 1, 2 and 14 of Schedule 8 to the Act and the other ("the Second Order") under paragraphs 1, 2, 4, 8 and 9 of that Schedule.

Summary of proposed provisions

6. The First Order will provide –
(a) that brewers, and groups of companies including brewers, which own more than two thousand licensed premises must before 1 November 1991 dispose of either their brewery business or the excess of licensed premises or release their ties on half the excess (a "group" for this purpose being defined as companies related by holdings of or interests in fifteen per cent or more of voting shares);
(b) that any person who finds himself in the position of owning a prohibited interest by the acquisition of shares after 1 May 1991 has six months to get out of that position;
(c) that the half-excess on which ties must be released must be let at a market rent without a landlord's repairing covenant;
(d) that from 1 May 1990, brewers and brewery groups owning more than two thousand licensed premises must allow their "tied" premises to sell a draught cask-conditioned beer supplied by someone else and may not impose any ties relating to non-alcohol beers, low alcohol beers and non-beer drinks.

7. The Second Order will provide –
(a) that where a brewer makes a loan or gives other financial assistance in return for a tie to his products, the recipient of the loan or assistance must be able to repay it or make whatever other payment may be due upon giving not more than three months' notice, and the tie must then cease;
(b) that if interest is due during an initial period of up to one year and the loan is repaid during that period, the subsequent higher rate may be charged;
(c) that brewers may not impose any prohibition on the use of premises as licensed premises when they dispose of them;
(d) that brewers must publish wholesale price lists for beer (showing discounts for collection) and not charge higher prices (but prices may differ for tied tenants, other tied purchasers and purchasers who are not tied);
(e) that brewers may not withhold wholesale beer supplies except where there are reasonable doubts about credit-worthiness, the return of containers or the handling or keeping of the beer.

Details of common provisions

8. The following definitions will be common to both Orders:
"beer" will include any beverage of an alcoholic strength (within the meaning of the Alcoholic Liquor Duties Act 1979) exceeding 1.2 per cent which is made with beer;
"brewer" will mean a person who carries on business in the manufacture of beer which is supplied by retail in the United Kingdom;
"brewery group" will mean a group of bodies corporate to which paragraph 9 below applies at least one member of which is a brewer;
"interest in shares" will include an entitlement, by a person who is not the registered holder, to exercise any right conferred by the holding of the shares in question or an entitlement to control the exercise of any such right;
"licensed premises" will mean –
(a) in England and Wales, premises for which a justices' on-licence (within the meaning of the Licensing Act 1964) is in force, or in respect of which a notice under section 199(c) of that Act is in force, or which is a registered club or licensed canteen within the meaning of that Act;
(b) in Scotland, premises in respect of which any of the licenses specified in Schedule 1 to the Licensing (Scotland) Act 1976 (except an off-sale licence) is in force or which is a registered club or licensed canteen within the meaning of that Act;
(c) in Northern Ireland, premises in which the sale of intoxicating liquor is authorised by a licence granted under the Licensing Act (Northern Ireland) 1971, being premises of a kind mentioned in paragraph (a) or (c) to (g) of section 3(1) of that Act, or which is a registered club within the meaning of the Registration of Clubs (Northern Ireland) Order 1987;
"relevant purchase", in the context of an agreement to which a brewer or a member of a brewery group is a party, will mean purchase, by any other person who is not a member of the same group, for retail sale on licensed premises of beer or other drink manufactured or supplied by any person not a party to the agreement;
"voting shares" will means shares in respect of which the holders have the right, either at all times or for the time being, to vote at general meetings of the body corporate in question on all, or substantially all, matters.

9. Two or more bodies corporate will constitute a group to which this paragraph applies if they are connected to each other by reason that –
(a) they are interconnected bodies corporate; or
(b) one holds directly or through any nominee or trustee fifteen per cent or more, or an interest in fifteen per cent or more, of the voting shares of the other or others; or
(c) each of them is connected by virtue of subparagraph (a) or (b) above –
(i) to the same body corporate, or
(ii) to different bodies corporate which are connected to each other by virtue of subparagraph (a) or (b) above or this subparagraph,
save that two bodies corporate will not be regarded as connected to each other by virtue of this subparagraph by reason only that each holds directly or through any nominee or trustee fifteen per cent or more, or an interest in fifteen per cent or more, of the voting shares of another body corporate.

10. The Orders will provide –
(a) that a person will not be regarded as carrying out an agreement by reason only that he refrains from doing something the doing of which is the subject of a prohibition or restriction imposed by the agreement, and
(b) that an agreement precludes or restricts a relevant purchase whether that is the object or merely the effect of the agreement.

11. The Orders will –
(a) prohibit the carrying out of agreements already in existence as they prohibit the carrying out of agreements made subsequently, and
(b) extend to the acts and omissions outside the United Kingdom of persons falling within section 90(3)(a), (b) and (c) of the Act.

Details of the First Order

12. The nature of the provisions to be embodied in the First Order is set out in paragraphs 13 to 20 below.

13. (1) Every brewer who before 1 November 1991 holds property or other interests in more than two thousand licensed premises must do all such things as may be necessary to secure that on that date either –
(a) he is no longer a brewer, or
(b) he no longer holds property or other interests in more than two thousand licensed premises, or
(c) the provisions described in paragraph 17 below are satisfied with respect to him.

(2) Every body corporate which before 1 November 1991 is a member of a brewery group one or more members of which hold property or other interests in licensed premises the total number of which exceeds two thousand (a "large brewery group") must do all such things as may be necessary to secure that on that date either –
(a) it is no longer a member of such a group, or
(b) the provisions described in paragraph 17 below are satisfied with respect to the group.

(3) But no such obligation will be imposed on any body corporate which –
(a) neither is a brewer nor holds any property or other interest in any licensed premises, and
(b) would not be a member of a brewery group or of a group one or more members of which hold property or other interests in licensed premises were it not that –
(i) it was a subsidiary of another body corporate, or
(ii) another member of the group held directly or through any nominee or trustee fifteen per cent or more, or an interest in fifteen per cent or more, of its voting shares.

14. It will be unlawful on and after 1 November 1991 for any person to carry out an agreement if the carrying out of the agreement would result in any person becoming either –
(a) a brewer who holds property or other interests in more than two thousand licensed premises and with respect to whom the provisions described in paragraph 17 below are not satisfied, or
(b) a member of a large brewery group with respect to which those provisions are not satisfied.

15. Where a body corporate, by acquiring shares in another body corporate or any interest in such shares becomes after 1 May 1991 a member of a large brewery group with respect to which the provisions described in paragraph 17 below are not satisfied, it must do all such things as may be necessary to secure that at the end of the period of six months beginning on the day of the acquisition in question, either –
(a) it is no longer a member of the group, or
(b) the provisions described in paragraph 17 below are satisfied with respect to the group.

16. (1) In any case in which the provisions described in paragraphs 13(2) and 15 above would both apply, the extent of the obligation imposed by the provisions described in paragraph 13(2) above will be no greater than it would be if the acquisition which caused the provisions described in paragraph 15 above to apply were not made.

(2) The provisions described in paragraph 14 above will not apply in respect of any agreement by which a person would become a member of a large brewery group by acquiring shares in a body corporate or any interest in such shares.

17. (1) In the First Order, "permitted tied house" will mean licensed premises –
(a) on which a brewery who holds property or other interests in more than two thousand licensed premises or a member of a large brewery group may carry on business in the supply of beer by retail, or
(b) which such a brewer or a member of such a group may permit another person not a member of the same group to occupy subject to an agreement precluding or restricting relevant purchases.

(2) The provisions described in this paragraph will be satisfied with respect to a brewer only if subparagraph (4) below is complied with and all licensed premies on which he carries on business in the supply of beer by retail are permitted tied houses.

(3) The provisions described in this paragraph will be satisfied with respect to a group only if subparagraph (4) below is complied with and all licensed premises on which any member of the group carries on business in the supply of beer by retail are permitted tied houses.

(4) The Director General of Fair Trading must be furnished with particulars of all licensed premises in which the brewer in question or one or more members of the group in question, as the case may be, hold property or other interests or carry on business, the particulars being the name (if any) by which the premises are known and their address; and he must be informed if they cease to be such premises.

(5) For premises to be a permitted tied house, the particulars furnished to the Director General of Fair Trading in accordance with subparagraph (4) above must specify that the premises are to be treated as a permitted tied house; but premises will not be treated as a permitted tied house if, at the time at which the particulars furnished in respect of them so specify, the aggregate of the number of permitted tied houses of which particulars already furnished by the brewer in question or a member of the group in question so specify and the number of premises of which the particulars being furnished so specify exceeds the permitted maximum determined in accordance with subparagraph (6) below.

(6) The permitted maximum referred to in subparagraph (5) above is the sum of –
(a) two thousand and
(b) one half of the difference between –
(i) the total number of licensed premises of which particulars are furnished to the Director General of Fair Trading in respect of the brewer in question or a member of the group in question and
(ii) two thousand.

(7) A specification under subparagraph (5) above may be withdrawn at any time by notice in writing to the Director General of Fair Trading.

18. (1) This paragraph applies to any agreement in the nature of a lease or a licence under which a brewer who holds property or other interests in more than two thousand licensed premises or a member of a large brewery group permits another person (except a member of the same group) to occupy licensed premises other than a permitted tied house, and to any agreement relating to such an agreement.

(2) The parties to any agreement to which this paragraph applies made before 1 November 1991 must terminate it before that date to the extent that it precludes or restricts relevant purchases, and it will be unlawful on and after that date for any person to make or carry out such an agreement except to the extent that it does not preclude or restrict any relevant purchase.

(3) The parties to any agreement in the nature of a lease or a licence to which this paragraph applies made after 10 July 1989 and before 1 November 1991 must terminate it before the latter date, and it will be unlawful on and after the latter date for any person to make or carry out such an agreement, unless –
(a) it does not impose upon the brewer or any member of the group any obligation to put or keep the premises in repair, and
(b) the rent or other consideration for occupation is an amount which might reasonably be sought and obtained on the open market by a lessor or licensor who was not a brewer or a member of a brewery group.

19. (1) This paragraph applies to any agreement to which one of the parties is –
(a) a brewer who holds property or other interests in more than two thousand licensed premises, or
(b) a member of a large brewery group,
and which precludes or restricts relevant purchases.

(2) The parties to any agreement to which this paragraph applies made before 1 May 1990 must terminate it before that date –
(a) so far as it relates to beer of an alcoholic strength exceeding 1.2 per cent, to the extent that it fails to permit the purchase of at least one brand of draught cask-conditioned beer selected by the person who is precluded or restricted from making relevant purchases, and
(b) so far as it relates to beer of an alcoholic strength not exceeding 1.2 per cent or any drink other than beer, to the extent of every provision which precludes or restricts relevant purchases,
and it will be unlawful on and after 1 May 1990 for any person to make or carry out such agreement except to the extent that it would not have to be terminated if made before that date.

20. References in the First Order to any property or other interest in licensed premises will not include any such interest which is merely by way of mortgage, charge or other security.

Details of the Second Order

21. The nature of the provisions to be embodied in the Second Order is set out in paragraphs 22 to 26 below.

22. (1) This paragraph applies to any agreement under which a brewery or a member of a brewery group makes a loan or gives any other financial assistance to another person (except a member of the same group), and to any agreement relating to such an agreement, if it precludes or restricts relevant purchases.

(2) The parties to any agreement to which this paragraph applies must terminate it before 1 May 1990 to the extent that it is not consistent with subparagraph (3) below, and it will be unlawful for any person to make or carry out such an agreement except to the extent that it is consistent with subparagraph (3) below.

(3) An agreement will be consistent with this subparagraph only if the person to whom the loan is made or other financial assistance is given may at any time repay the loan or make such payment as may be due in respect of the financial assistance, having given not more than three months' notice of the repayment or payment, and relevant purchases are no longer precluded or restricted once the loan is repaid or payment made, including payment of all interest due; but it will not be inconsistent with this subparagraph for an agreement to provide that if interest is payable at one rate for an initial period of one year or less and a higher rate for a subsequent period and the loan is repaid or payment made before the end of the initial period, interest at the higher rate is due in respect of all or part of the initial period.

(4) The provisions described in subparagraph (2) above will neither advance the time at which any payment under the agreement is due from the person to whom the loan is made or other financial assistance is given, nor relieve that person from any obligation to make payments under the agreement as they fall due.

23. (1) This paragraph applies to any agreement under which –
(a) a brewer or a member of a brewery group ceases to hold a property or other interest in licensed premises, or
(b) a member of a brewery group one or more members of which hold property or other interests in licensed premises ceases to be a member of the group,
and to any agreement relating to such an agreement.

(2) The parties to any agreement to which this paragraph applies must terminate it before 1 May 1990 to the extent that it imposes any prohibition or restriction on the use of any licensed premises as licensed premises, and it will be unlawful for any person to make or carry out such an agreement except to the extent that it does not impose any such prohibition or restriction.

24. (1) Every brewer and every member of a brewery group who sells beer for resale on licensed premises must publish a list of the prices charged by him therefor, together with information about any discount allowed where the beer is delivered to the purchaser at a place of business of the seller or an agent of his.

(2) Where a brewer or a member of a brewery group charges prices for sales to tied tenants or other tied customers which differ from those charged to purchasers who are not tied tenants or other tied customers, the list of prices provided for as described in subparagraph (1) above must indicate the prices charged to each class of purchaser.

(3) It will be unlawful for any brewer or member of a brewery group to charge prices for the sale of beer for resale on licensed premises which differ, except to the extent of any discount which he may allow, from those in the list published by him in accordance with the provisions described in subparagraph (1) above.

25. It will be unlawful for any brewer or member of a brewery group to withhold any supplies of beer for resale from any other person (except a member of the same group) unless the person withholding the supplies has reasonable cause to believe –
(a) that the price for the supplies may not be duly paid, or
(b) that any containers of his, or of which he is bailee, in which the supplies would be made may not be duly returned to him or to such other person as might be appropriate, or
(c) that any beer which would be supplied may not be handled or kept properly.

26. The Second Order will come into force on 1 May 1990.

Consultation

27. Copies of the drafts of the two Orders will be available to be seen at all reasonable times in the offices of the Department of Trade and Industry at 1 Victoria Street (Room 020), London SW1.

28. Any person whose interests are likely to be affected by either of the Orders and who is desirous of making representations in respect of it should do so in writing to Mr P H Lawrence, Department of Trade and Industry, Room 637, 1–19 Victoria Street, London SW1H 0ET (stating his interest and the grounds on which he wishes to make the representations) before 10 October 1989.

DR C E BELL

An Assistant Secretary of the Department of Trade and Industry

MANAGEMENT

Training the board

Directors who do it themselves

Michael Skapinker explains why the offices of new appointees at B&Q remain empty while their occupants spend up to eight weeks learning about the company from the shop floor up

On his first day as a director, David Bremner swept the back yard of a shop near Maidstone.

At B&Q, Britain's leading do-it-yourself retailer, all new directors spend up to eight weeks learning about the business from the bottom up before moving into their offices. The B&Q induction programme gives them some experience of working in a store, as well as an understanding of what other department heads do.

Bremner, who joined B&Q in June as director of logistics, spent eight days working in three of the company's stores. "When I arrived, I told the warehouse manager to treat me like anyone else," he says. Hence the order to sweep up.

Directors of other companies do not often devote their first day to menial tasks. They usually sit in their smart new offices, working their way through an in-tray and an exhausting round of meetings. Many have a worrying question on their minds: what does a director actually do? Companies run induction programmes for junior employees. It is less common for them to run induction programmes for their directors.

Sir John Harvey-Jones, former chairman of ICI, points out that directors are chosen from the ranks of the most senior executives. "There is therefore an understandable tendency for everyone to assume that you will 'pick it up as you go along'," he says in his book Making it Happen.*

Bob Garratt, a consultant who has written a book on the learning needs of directors**, was told by a senior US executive that being a director is "the one area where it is assumed that no training is needed, so no training is provided. What makes it worse is that everyone assumes you know what's going on. It's the most lonely and frustrating of positions."

At B&Q, a subsidiary of Kingfisher (formerly Woolworth Holdings), directors do not get their hands on an in-tray until their induction period is over. "On their first day, we say to them 'this is your office. This is your secretary.' But then they don't see their office or their secretary for the next six to eight weeks," says Janet Rubin, B&Q's personnel director. If the new director's predecessor has already left, the office simply remains empty during the induction programme.

Rubin was the first person to go through a B&Q induction programme for directors. She joined the company from the Burton Group 2¼ years ago. "I said to the then chief executive that I wanted to develop an understanding of the business. He said, 'that's a good idea.'"

She had previously been head of personnel and training at the Burton Group's Principles for Women business. She was supposed to go through an induction programme there, but somehow it never happened.

(L to r): David Bremner, Janet Rubin and Lawrence Coppock: induction programme

"I think it's critical you do it right at the start. If you leave it for a few months you'll never get round to it. The value of doing it at the beginning is that you're still fresh to the organisation and you can make some clear comparisons with your old company in the early weeks. That perspective tends to blur with time," Rubin says.

She arranges for directors to see a mix of stores. They spend some time at stores which have introduced electronic point of sale systems, as well as those using older technology at their check-out counters. The directors stack shelves or work on the check-out, as well as speaking to store managers and staff.

One of Bremner's tasks will be to introduce a central warehouse for B&Q. At present, suppliers deliver goods directly to the stores. "When you're introducing a central warehouse, if you don't know what the person at the back door of a store is doing, how can you design a service to suit them?" he says.

Asking shop workers to explain the business is something that some directors might be reluctant to do. Lawrence Coppock, B&Q's finance director, says that the directors' induction programme lets junior employees into the secret that "the directors haven't got any idea of what they're supposed to be doing and have to be trained just like anyone else."

Coppock, who joined B&Q last year, says, however, that "as long as you're honest with people and say 'I'm here to see what you do and how you do it,' people respect that."

Apart from working in the stores, new directors spend time with the heads of other functions, as well as with their senior managers. They also sit in on their meetings.

"People are not here just as functional experts," Rubin says. "What I want them to do is to concentrate on the key issues facing the company as a whole. As companies get larger and more complex you've got to ensure that they do that, otherwise people become too specialised and you get Chinese walls between functions."

During the induction period directors attend board meetings, but they are not expected to participate fully. If questions arise relating to the new director's area of responsibility the chief executive answers them.

"I was given a full set of board papers, but, quite frankly, they didn't mean too much to me," David Bremner says. At his first board meeting, "it was much more important for me to see the way people interacted with each other. I wasn't expected to make a contribution. It was great to sit back and just try to understand the culture of the company."

He says that B&Q's culture is very different from that of his previous employer, Sainsbury's, which is larger and more bureaucratic. It was obvious from the B&Q board meeting that the atmosphere in his new company was more informal and relaxed, he says.

During the second week of Bremner's induction programme, the B&Q directors had their twice-yearly get-together to discuss the company's strategy. They spent two days in Bournemouth, giving Bremner another opportunity to try to understand the direction in which the company wanted to go.

Lawrence Coppock says it is important that a directors' induction programme is properly structured and focused. Some companies simply set up a hectic series of meetings for new directors without any explanation of why they are seeing the people they meet. By the end, the new arrival is simply tired and confused, he says.

Bremner says that what the B&Q programme tried to do was "identify the key issues and prioritise them, rather than leaving you to deal with them on an ad hoc basis. If you're sucked into the business on day one, you tell yourself you'll get around to seeing people eventually. But you don't."

*Collins. £12.95.

**The Learning Organisation. Fontana. £3.50.

Business courses

Recruiting and employing graduates for 1990 and beyond, Sussex. October 19. Fee: members £210 + VAT, non-members £250 + VAT. Details from Meg Reed, IMS Training Co-ordinator, Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton, Sussex BN1 9RF. Tel: 0273 686751. Fax: 0273 690915.

Strategic controls, London. October 16. Fee: members £190 & £165 + VAT, non-members £240 + VAT. Details from The Strategic Planning Society, 17 Portland Place, London W1N 3AF. Tel: 01-636 7737. Fax: 01 323 1692.

Vision with technology, Brussels. November 16 & 17. Fee: BFr85,000. Details from Sidney Denby, Nolan, Norton & Co, 70 Fleet Street, London EC4Y 1EU. Tel: 01-583 1971. Fax: 01 583 3539.

Strategies for innovation, San Francisco. October 11–14. Fee: members $575, non-members $625. Details from Denise Kidder, 1989 SMS Conference Co-ordinator, Walter A. Haas School of Business, 350 Barrows Hall, University of California, Berkeley, California 94720. Tel: (415) 642 4255. Fax: (415) 642 2826.

The James Martin world seminar, Rome. October 9–13. Fee: £1,500. Details from Savant, 2 New Street, Carnforth, Lancashire LA5 9BX. Tel: 0524 734505. Fax: 0524 735590.

Neural Networks '89, London. *October 23–25.* Fee: £626.75. Details from Sue Scott, Blenheim Online, Blenheim House, Ash Hill Drive, Pinner, Middlesex HA5 2AE. Tel: 01-868 4466. Fax: 01 868 9933.

Successful directorship, London. October 19. Fee: £215 + VAT. Details from Quentin Livingston, Conference Organiser, Tolley Publishing, Freepost, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 9EA. Tel: 01-680 5682. Fax: 01 686 3155 or 01 760 0588.

Developing, implementing and auditing quality systems, Cheshire. October 3–6. Fee: £465.00 + VAT. Details from McCrae Consultants, Gerrard Place, Skelmersdale, Lancashire WN8 9SU. Tel: 0695 21447. Fax: 0695 25667.

Understanding data communications, London. November 20-21. FEE: £595 + VAT. Details from The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 01 871 3866.

How Velcro made quality stick

It was in the summer of 1985 that General Motors told Theodor Krantz that his company's days as a supplier were numbered.

The call from GM came as a shock to Krantz, the president of Velcro USA. He had thought his company's products were good and that Velcro delivered on time.

The products were fine, GM agreed, and they were delivered on time. All the same, GM told Krantz, he had to meet its standards or it would find another supplier.

Five Velcro managers flew to Detroit to meet GM executives. What precisely was the problem, the Velcro people asked? GM said that Velcro relied on quality inspectors. GM wanted all employees to take responsibility for quality.

Velcro, which supplied GM with tape to bind seat parts together and to fix fabric to the roof, also allowed too high a level of waste, GM said. In addition, it was unacceptable for the head of quality at Velcro to report to the head of manufacturing. He should report directly to Krantz.

"It was no consolation to realise that all three US auto producers were feeling great pressure to update their quality, cut costs and reduce the number of suppliers," Krantz writes in an article to be published in the next edition of the Harvard Business Review.* "We had 90 days to clean up our act."

Krantz did not like the idea of hiring quality consultants but he realised that he didn't have the time to do it all himself. The consultants soon began to act as a line of communication between management and the shop floor.

"The people on the floor know the process better than their boss or anyone up the line. Many of the best ideas for building a better quality product are in their heads, waiting to spring out," Krantz says.

The consultants began an education programme for employees. Velcro instituted statistical process control (SPC), a system which allows employees to measure aspects of the production process and take corrective action if quality standards are not met. Krantz set up a steering committee on quality consisting of the heads of functions. After the threatened deadline, GM told Krantz he was on the right track. Velcro was given another six months.

Krantz said he soon saw the drawbacks of relying on quality inspectors. "Quality determination coming at the end of the production process had to be relayed back up the line, and such feedback is often incomplete, unreliable and certainly untimely. In Velcro's case, if a weave defect cropped up, by the time it was noticed thousands of yards of material might have been made. What a waste!"

It was not easy to get employees to take responsibility for their own quality. Their supervisors emerged as a major obstacle to change. "We'd hear comments like 'my boss won't let me shut the machine down. We make junk on my shift, but he doesn't care. He just says we've got to get x yards of material out.'"

Krantz adds that "we haven't entirely overcome the difficulty of getting the supervisors to buy into the new way of doing things. At Velcro, as at a lot of mature companies, many of these individuals were trained during an era when the boss was king. On top of that, hourly employees may grasp innovations like SPC more readily than their superiors do." This tends to make supervisors feel defensive.

The Velcro approach was to focus on "building successful examples, especially among the younger supervisors who are often more receptive to new ideas."

Every two weeks, the steering committee met employees to hear them talk about their quality improvement programmes. Krantz tried to demonstrate his commitment by sitting in on every meeting. If he was away, the meeting was postponed until his return.

The SPC system enabled employees to see where quality improvement was needed. The number of quality control inspectors was reduced from 23 to 12.

By 1988 Velcro was back in GM's good books. By then, however, the car manufacturer had upped its quality demands yet again. "Even as our quality improved, the standard against which we were measured was moving as well," Krantz says. "In the search for quality, there's no such thing as good enough."

Krantz says that it is difficult to maintain enthusiasm for continuous improvement programmes. Companies need periodic shots in the arm.

In Velcro's case, the first was the General Motors threat. The second was a trip to a Velcro customer which was also a GM supplier and thus enabled comparisons to be made. A third was the departure of the head of quality. Krantz feared momentum might be lost when a new person came in. In fact it gave the quality programme another boost.

For yet another stimulus, Krantz says he might bring the consultants back again.

*HBR, September-October 1989. PO Box 25, 3950 AA Maarn, The Netherlands.

Michael Skapinker

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
25	26	27	28	29	30	31

MUSIC

London

The Proms. This year's Proms continue until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1.50 or £2.
Highlights of the week include Dutilleux, Tchaikovsky, and Schumann played by the French Philharmonic Orchestra conducted by Marek Janowski (Fri); on Saturday the same orchestra plays a porogramme of Tchaikovsky, Rachmaninov and Ravel; Julian Bream plays Berlioz, Tofu Takemitsu, Debussy, Rodrigo and Respighi on Sunday; *The Damnation of Faust* by Berlioz is played by the Chicago Symphony Orchestra and the Chicago Symphony Chorus (Mon); Kodaly, Birtwistle, Byrd and Henze (Tue); Beethoven, Brahms, Berlioz and Tippett (Wed); Mozart's *Le nozze di Figaro* is performed by Glyndebourne Opera under Simon Rattle on Thursday.

Paris

The Festival of Paris continues: for information on all events related to the festival ring Paris 48049801, or for information in English 47208898.

Brussels

Jozef Sluys, organ recital. Sweelinck, Cornet, Bohm, Weckmann, Bruhns, Bach. Cathedrale Saint-Michel (Tue) (217 83 45).
Eglise Saints Jean et Étienne, Claude Remacle (trombone) Gerard Close (organ). Mozart, Berger, Handel (Sun) (513 83 20).

Cologne

Radio Symphonic Orchestra, conducted by Gary Bertini with works by Wolfgang Rih, Dieter Schnebel Beethoven, Karl Amadeus-Hartmann (Wed, Thur) Philharmonie.
Ludwigsburg Schlossfestspiele. Forum am Schlosspark: *Der Freischütz* with costumes and stage settings by Loriot, conducted by Wolfgang Goennenwein with an interesting cast led by Michael Ebbecke, Nany Johnson, Ulrike Sonntag, Uwe Heilmann and Siegmund Nimsgern (Mon, Wed).
Theater im forum: The duo Pinchas Zukerman (violin) and Marc Neikrug (piano) play works by Stravinsky, Schumann, Georges Enesco and Beethoven (Thur).

Frankfurt

Frankfurter Feste 1989. This year's Frankfurt Festival with the title of A Common-Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War II 50 years ago.
The programme with around 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. It starts with an international choir festival with 10 different ensembles from various nations, accompanied by the Moscow Radio Orchestra, jointly conducted by Wladimir Fedossejew and Gary Bertini. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa. The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem. Other highlights indude a concert version of *Andrea Chenier* starring Renato Bruson. Also Handel's rarely played *Tamerlano*. Alte Oper: tickets Frankfurt 069/1340-400. Ends Oct. 3.

Vienna

Piano recital by Deszo Ranki. Haydn, Beethoven, Schubert. Grosser Redoutensaal (Fri).
Panochs Quartet. Haydn, Schubert. Palais Schönbrunn (Sat).
New Tokyo Mandolin Ensemble. Takei, Ikegaya, Nakano, Koike. Albertgasse 35 (Sun).
Les Menestrel. Music from 12 to 17th century. Palais Ferstel (Mon).
Haydn Sinfonietta Wien. Beethoven, Krenek. Palais Pallavicini (Tues).
Organ Recital by James Welch. Bach, Balbastre, Reger, Ives. Stefansdom (Wed).

Tokyo

Tokyo Philharmonic Orchestra, conducted by Hiroyuki Iwaki. Penderecki, Messiaen, Nono. Suntory Hall (Mon) (359 9-55).
Classical Japanese Music: "Jiuta" (shamisen and koto). National Theatre (Tues) (265 7411).
Japan Philharmonic Orchestra, conducted by Tsukasa Oda, with Shin'ichi Fukuda (guitar). Rodrigo, John Williams, Smetana. Suntory Hall (Tues, Wed) (234 5911).

OPERA AND BALLET

London

English National Opera, Coliseum. The opening works of the season are *The Magic Flute*, in Nicholas Hytner's enchantingly fresh and funny production, and *Katya Kabanova*, produced by David Pountney. The Mozart revival is conducted by Lothar Zagrosek, and the cast includes Thomas Randle, Cathryn Pope, Alan Opie and John Connell; the Janacek brings back the Czech conductor Albert Rosen to the Coliseum, and has Kathryn Harries, Pauline Tinsley, Edmund Barham and Donald Adams in leading roles.

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strongcast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnaut and Elke Wilm Schulte. *Tannhäuser* returns, after a one year break with the new Venus Ruth-ild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

New York

New York City Opera. A week-long encampment of Romberg's *Desert Song* revives the 1987 hit production. Lincoln Center New York State Theatre (877 4700).

EXHIBITIONS

London

The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

Paris

Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. At least they were saved from the turmoil and we can thus admire the world's largest cameo representing the triumph of Germanicus sculpted in five layers of sardonyx. There is the ancient gospel from Echternach copied in the north of England or in Ireland at the end of the 8th or beginning of the 9th century and the Saint-Medard's Gospel, with all its lettering in gold, the most sumptuous work from the school of Charlemagne's court around 800AD. The portrait of Julia, the daughter of Emperor Titus, is engraved in a large aquamarine of exceptional purity surrounded by saphires and pearls, while Solomon's Cup from Sassanid Persia glows with the deep red of its grenades set in gold. 52 rue de Richelieu. Ends Sept 10.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-223978).

Bremen

Kunsthalle am Wall 207. A Karl Schmidt Rottluff retrospective (1884-1976) with around 200 pictures, sculptures and paper works from 1907-1970. The expressionist painter was much influenced by his first trip with his friend Erich Heckel to Dangast, a small village in North Germany. He was the founder member of the East-German arts group "bruecke". His stimulating pictures of the northern land and sea-scapes are complemented by back and white wood engravings. In 1915 he was sent to the Russian front, where he completed about 20 wood sculptures. He often employed religious motives. The pictures from the thirties and fifties, left over after the war, are painted in a soft style with strong colours in outline the drawings. The exhibition closes with aquarelles from the 1970s. Ends Sept 10.

Brussels

Galerie des Beaux-Arts, Le Passé vivant, Les Prophetes, Eben Ezer, works by robert Garcet, drawings by Giorgio de Chirico (ends Aug 31). 20, Rue Ravenstein 513 67 77.
Passage 44. Brel et les peintres – works by 20 painters inspired by Jacques Brel (ends Sept 2). 44 Bd. du Jardin Botanique 218 26 75.
KB Gallery James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand-Place.
Halles St Gery - Avanti, Bertrand Neuman (Ends Sept 3), Place St Gery.
L'Ecuyer, 20th Century Crystal (ends Aug 30). 187, Avenue Louise.
Musée du Costume et de la Dentelle. Women and Equality 1789 - 1989. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,000 sheets. Ends Sept 17.

Vienna

Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. This relationship blossomed at the turn of the century when a group of Viennese artists broke away from the established artistic circles and brought their skills and creativity into interior and industrial design. Ends September 4.
Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonderful exhibiton of children's books and fairytales. Until September.
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Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carinaval masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Mariinsky theatre. A number of remarkable portraits stand out, from Vladimir Tatlin's empty-faced Sailor to Altman's blindly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandinsky, with three fine works, including the large Composition VI from the Hermitage. Ends October 20.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's Le grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.
Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays.
National Museum of Modern Art. Art of the Showa Era. Paintings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.
Teien Museum. Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintessentially Japanese in its delight in decoration for its own sake. The paintings on show include, landscape, still life and portraits. Closed Mondays.
Idemitsu Museum. Hosn Kosugi. Kosugi's early work was influenced by Impressionism, but in later years he created a more Japanese style in sumie and watercolour. His favourite subjects were flowers, birds and people. Closed Mondays.

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ARTS

EDINBURGH FESTIVAL

Houston Ballet

PLAYHOUSE

The Houston Ballet has come to the Festival with two programmes: a mixed bill and the inescapable *Swan Lake* (Were any opera, any play, so grotesquely over-performed and traduced by so many grotesquely unsuited performers, as is *Swan Lake* by ballet companies round the world, there would be protests in the streets).

Chief interest of this visit lay in a new work by Christopher Bruce on the life of the Buddha, with a score by the Indian composer Naresh Sohal, now resident in Edinburgh. The idea of a ballet showing the rejection of worldly experience and the acquisition of spiritual enlightenment is somewhat heady, but Antony Tudor, a Zen Buddhist by temperament, contrived something allusively such in *Shadowplay* for the Royal Ballet.

Bruce's more literal approach – ten colourful scenes which fix crucial moments in the Buddha's journey of self-discovery – makes for something too like an episode from a child's guide to world religions. The score, well played by the BBC Scottish Symphony Orchestra under Glenn Langdon, has a great deal of clanging local colour – and one sub-Prokofiev waltz – and Walter Nobbe has provided attractive sets and no less attractive costuming for the girls whose charms the Buddha learns to reject.

This Gautama *Buddha* is, for all its worthy intentions, a long – 55 minutes – and altogether too winning simplification of a difficult theme. A two-page programme note is needed to explain the action, but little in the dancing tells us why various characters do what they do. Li Cunxin makes a suitably dignified Gautama; everyone else looks anonymous, though often very fetching in Mr Nobbe's outfits.

The other serious work in the first programme was *Ghost Dances*, whose dedication "for the innocent people of South America" suggests, as always, that Bruce's heart is in the right place. The piece has achieved some cult status among audiences: I do not understand why, though the Houston dancers were fine advocates for direct and expressively generous choreography in which the innocent trippings of the populace are curtailed by three messengers of death. (I suppress the thought that they are critics tired of such scamperings).

Two very slight items completed the bill. Ben Stevenson's view of the pas de deux from *Esmeralda* is coarse stuff, given a brash and emphatic reading by Janie Parker, though Li Cunxin brought a clear and polished technique to the male variations. *Pi R Squared* was an example of leaden roguishness by Lois Bewley, in which a girl and two men romped to an electronic fragment by Edgar Varèse. People have been sent to Devil's Island for less.

Ben Stevenson's staging of *Swan Lake* for the company he directs is in the main respectful of traditional choreography and production values. So much so that the alterations and sometime vagaries of the presentation seem all the more wilful – as do some nasty cuts in the score at the beginning of Act 2. Rather stuffily dressed and set by David Walker in a mid-nineteenth century principality, the version looked careful in Wednesday night's performance and wholly airless, so that no gusts of Romanticism touched the cast. Nor did the company style offer any expansiveness of feeling or physique: movement was neat, coherent in its unanimity, but small-scale and constrained, as if the dancers believed that their backs were only to be used in an emergency.

Janie Parker was a conscientious Odette/Odile, in unflattering costumes; Li Cunxin a Siegfried whose dancing alone in the evening spoke of movement flowing and opening out to Chaikovsky's poetry. He told us about another, better *Swan Lake*.

Clement Crisp

Boris Godunov

LEITH THEATRE

The cruellest lesson history teaches us is that there is no such thing as a New Dawn, a New Age or a just system of tyranny. This tragic truth runs like a leitmotif through Pushkin's *Boris Godunov* and it burns like a torch in this thrilling – there is no other word – production by Yuri Lyubimov.

There is a mounting and general agreement that this year's Edinburgh Festival, certainly in the dance and drama departments, has been one of the best in many years. Lyubimov's reunion with the Taganka Theatre in Moscow is one of the most visible signs of cultural glasnost. But a sign is all that it is. When the dead Boris of Nikolai Gubenko (the Taganka's artistic director) is resurrected in a lounge suit for the proclamation of a new era under Czar Dimitri, the house lights come up and we are asked why we remain silent. Have we no hope?

In Pushkin, the crowd is stunned by further news of dynastic chaos. Pushkin's people are a weak-willed mob permanently inclined towards sedition. For Lyubimov, the crowd is a symbol of a nation's strength, the means by which political pessimism is translated into defiant action. The citizens creep from secret doors in a barebones limbo, literally humming with ecclesiastical fervour and raising up the transfigured dead son of Ivan the Terrible like a monstrance in the Mass.

Suddenly, from the gloomy depths of the seething mob comes a terrifying thunderbolt: a black staff thumps into the ground, an instrument of power with which kings toy at their peril. This shattering stunt sets a mood of unease and unrest that characterises the whole evening. The staff becomes part of the very plastic momentum of the choreography, along with the crowd itself, the violent clashing of scimitars against a steel ladder, and the brilliant manipulation of a long, flexible bench.

We shall remember that bench, as we remember the moving wall in Lyubimov's *Hamlet* (a production he is to re-create at the Leicester Haymarket next month), or the flying green door in his *Crime and Punishment*. The entire scenography revolves around the bench which Lyubimov and his designer, David Borovski, and his lighting man, Konstantin Pansin, use as a tavern table, a regal banquet, a pair of horses, a bridge of repression, the imperial throne and finally Boris's death-bed.

In order to convey a sense of the production one must isolate its components. But the triumph here is one of a completely integrated stage world in which acting, lighting, music and design are truly inseparable, as one imagines they were in the famous productions of Meyerhold. Gubenko is clearly a great actor, broodingly haunted by murderous dreams, shaken by years of banishment. His imperial counterpart, Dimitri the Pretender, is portrayed by Valerii Zolotukhin as an unhinged maniac who slobbers his way to the top after the seduction of a Polish merchant's daughter.

Dimitri's power base forms in Lithuania, a neat coincidence in the light of this week's demands for outright independence by the Lithuanian nationalist council of Sajudis. But the political life of *Boris* is renewed not by such satirical detail, but by Lyubimov's insistence on its inherent poetic verities. An episodic blank verse play set in the remote, barbaric Time of Troubles is released as a powerful dramatic fable on the nature of tyranny.

This is no hollow demonstration of stage-craft, nor of empty ensemble work. This is the genuine transforming article of pure and poisonous theatre and it blows to insignificance, for instance, the posturing, superficial chorus work in last week's over-praised Berkoff *Salomé*. Last, unmissable, performances in Leith tonight and tomorrow. No plans, as yet, for London, but I trust there soon will be.

Michael Coveney

Harry Landis as Schlomo and Jonathan Oliver as Hitler in *Mein Kampf Farce*

Oslo Philharmonic

ALBERT HALL

Like a horse and rider in the top flight of international showjumping, an orchestra and conductor can sometimes work together so closely that they seem to fuse into a single being. In recent years we have seen the Montreal Symphony under Charles Dutoit and the CBSO under Simon Rattle emerge as remarkable partnerships, and to these must now be added Mariss Jansons and the Oslo Philharmonic: a team whose impressive unanimity has seen them clear the highest musical fences.

Whether the orchestra on its own is in the top league remains a matter for debate. When it last visited the Proms a couple of years ago, some writers came so close to hyperbole in their praise that they risked obscuring the orchestra's genuinely good points, while neglecting its weaknesses altogether. The Oslo sound is not rich, particularly in the strings, and there is not the easy access to corporate virtuosity that the Vienna, Berlin or Chicago orchestras can find in their sleep.

The point, though, about the Oslo Philharmonic is that one never suspects for a moment that it would dare play in its sleep. This is music-making that is brilliantly, aggressively, tinglingly wide awake. Every player gives the impression that he knows exactly why he is playing the way he does and for that the praise must surely go to Jansons, the orchestra's Principal Conductor and the man who more than any other has led it to its new-found position of international renown.

On this visit, which included a pair of concerts on Tuesday and Wednesday, Jansons was as firmly in the saddle as ever, gripping the reins tight, keeping his players with him even when a whim of interpretation leads him to veer unexpectedly this way or that. (Fidelity to the letter of the score is not one of this conductor's prime virtues.) The style that he favours is brisk and business-like, with an unrelenting sharpness of definition that could hardly be bettered in the music for which it is suited.

The Dukas and Strauss works with which the concerts opened do not fall easily into this category. Dukas's *The Sorcerer's Apprentice* lacked mystery and subtle half-lights; while the opening of Strauss's *Don Juan*, jolted into life with timpani and brass snapping at the music's heels, might almost have been dismissed as a parody of this type of conducting if the result had not been so exciting. The accompaniment to Elgar's Cello Concerto was also unusually concentrated, though it provided an apt foil to the deeply-felt solo playing of Truls Mork.

With the Third Symphony of Honegger and Stravinsky's *Petrushka* the performers came into their own. A feeling that the orchestra was being pushed to its limits technically by the demands Jansons was making of it never succeeded in dampening the blazing personality of the playing for which it is justly praised. Both were taut, cogent performances. The *Petrushka*, especially, was wonderfully detailed at every turn.

Best of all, though, was the Fourth Symphony of Chaikovsky. This was among the most gripping performances of the Symphony that I have heard, rigorously controlled, never splashy or careless, but with a determination to squeeze the last drop of meaning from every note that culminated in a finale at white heat. One awaits Jansons's Bruckner with some trepidation, but where fire and energy are called for he is the man and the Oslo Philharmonic is unarguably *his* orchestra.

Richard Fairman

On the Fringe

In a Festival in which every street busker seems to have a camera crew in tow there are still some performers who soar above the sales pitch. One such is Rosaleen Linehan, whose priceless portrait of Kathleen Behan is surely ripe for a London transfer. This exquisite solo show comes to the Edinburgh Fringe from Dublin's Gate Theatre with a warmth, energy and mischievousness that capture the irrepressible spirit of the *Mother of all the Behans*.

Adapted and directed by Peter Sheridan from the writing of Kathleen's son, Brian Behan, it depicts a woman who survived an orphanage, two marriages and the drinking away of a fortune with courage, loyalty and humour undimmed, even in her 90s in an old folks' home. A famous beauty, who once acted as receptionist to Yeats's Maud Gonne and from which exalted position she entered the confidence of Nora Joyce (née Barnacle, she confides, by name and nature), Kathleen was a staunch Fenian who mothered a bevy of Behans, including the redoubtable Brendan, Ireland's own roaring boy.

Anecdotes about personal hardship mix with shrewd observations of Ulster's disintegration. They are recounted by Linehan with an affection that sublimates technique – from the cracked crooning of the old woman to the gaiety of the girl she once was.

The pleasures of one show mitigate the perils of another – Kathleen's glee was a much-needed tonic after the spectacle, at the end of *Mein Kampf Farce*, of a chicken being disembowelled on stage in a butchery all too symbolic of the Nazi atrocities.

George Tabori's allegorical drama is set in a dosshouse, where a failed art student who denies his Jewish ancestry allows himself to be cosseted by an old Jew through disappointments, temper tantrums and constipation to the discovery of his political vocation. Hitler enters, unbidden, as the benign Schlomo Herzl (Harry Landis) converses with God, alias Lobkowitz the Loon, and exits arm-in-arm with Frau Death.

This remarkable piece packs a metaphoric punch that is nowhere quite realised in the playing style of Yorick Theatre Company. Jonathan Oliver occasionally gets close to it in Hitler's demented ragings against the simple obstacles of existence – opening a tin of boot polish or talking about sex – but Michael Batz's direction misses the note of farcical hysteria needed to bring the play to full power.

At the smaller venues, two shows for the record: firstly Shadow Syndicate, whose piece, *Terminal*, is a striking blend of music and narrative, weaving an engrossing disaster story out of a brief encounter at Heathrow airport. Shadow Syndicate use keyboards and synthesiser with billows of dry ice to evoke the claustrophobia of sexual obsession, cleverly superimposing on it the claustrophobia of air travel. This is the sixth Fringe appearance by this Surrey-based company. It is confidently written by James Mavor, with stylish direction from Jon Pope, even if confidence and style are occasionally pursued to the detriment of clarity.

In the unpropitious setting of Marco's Leisure Centre is one of the legendary Fringe discoveries – although I say this with apologies to Birmingham-based Snarling Beasties Theatre, who probably consider themselves long found. The striking thing about this company is the clarity with which they approach issue-based theatre, without any of the lumpen worthiness that is so often its lot.

Their theme is marital violence, abstracted from the knock-about antics of Punch and Judy shows into the lives of a contemporary couple. Punch is an actor who lives up to his name; Judy is the beautiful person who is knocked out first by the image and later by the man.

Mark Kilmurry gives one of the outstanding performances of the Fringe, flagrant braggadocio underpinned by precise and believable character observation. Debbie Isitt, who is also writer and director, partners him with a well-bred nasal drawl which rounds into the sort of despair that needs must engender revenge.

Claire Armitstead

Schoenberg Ensemble

KENSINGTON TOWN HALL, RADIO 3

The Netherlands-based Schoenberg Ensemble and its conductor Reinbert de Leeuw have given few concerts in London – Wednesday saw their Proms debut – but they have established a reputation for their adventurous recorded surveys, which have filled in many lacunae in our knowledge of the *Second Viennese* School and their contemporaries. Wednesday's programme was typically searching – around Schoenberg's *Pierrot Lunaire* were grouped the first British performance of Schreker's "dance allegory," *Der Wind*, and a suite from Hindemith's "dance pantomime," *Der Dämon*.

The Schreker is a rarity. It was written in 1908 in an attempt to capitalise upon the success of Schreker's earlier ballet *The Birthday of the Infanta*, but was mislaid, and the premiere was not given until 1980. The scoring is spare – only five instruments – and the style the usual Schreker assortment – a fundamental Brahmsian romanticism overlaid with impressionist effects – the opening of *Der Wind* is unadulterated middle-period Debussy – and cosmetic sorties into chromaticism. The mixture is seductive; Schreker's ear for striking sonority was his great gift as a composer. But the musical ideas seem secondary, and the melodies which do surface are irredeemably four-square.

Der Dämon is an awkward hybrid too – between a full blown expressionist scenario (a lurid mixture of sex and violence) and the detachment of one of Hindemith's earliest (1922) neo-classical scores. The suite for small orchestra that Hindemith abstracted from the ballet has 14 "panels," of which the Schoenberg Ensemble played ten. The music is polished and generates a real momentum at times; how it would work as ballet is hard to judge: it shares with Schreker's ballet a lack of genuinely memorable ideas; neither work is likely to receive more than the occasional curious examination, when so many first-rate scores of the same period are rarely heard.

The Schoenberg Ensemble is a not a forceful group; its playing is correct in all its fundamentals, well shaped, yet consistently understated. It is doubtful whether more attack could have made a significant difference to either the Schreker or Hindemith, though there is just the chance that one of them might have been brought alive. But in *Pierrot Lunaire* the matching of such superbly moulded instrumental playing to the vocal lines was a pleasure in itself.

De Leeuw and his players were never content to provide mere accompaniments to the excellent reciter Barbara Sukowa, who is the most convincing evidence I have yet heard for preferring in this work an actress who can sing to a singer who can act. Sukowa sacrificed very little accuracy – many sopranos are more approximate – but she struck an almost perfect balance between speech and song. *Pierrot* is generally a work which one admires with a sense of historical awe, but from a distance: here its world was so vividly recreated it became wholly involving and the nightmare it revisits seemed horribly real.

Andrew Clements

Prin

LYRIC THEATRE, HAMMERSMITH

Prin stands for principal – ending in 'pal', not 'ple', as she sharply reminds us; though she adds as an afterthought that she stands for that as well. The heroine of Andrew Davies' highly enjoyable new play is a maverick educational élitist, like Miss Jean Brodie. She enjoys a loving if domineering relationship with a younger woman, like Sister George. Like both, she combines airy dismissal of the disagreeable or inconvenient with the superb over-confidence of the egotist – or the artist. As with both, her ultimate lack of grasp of reality leaves her contemplating the ruins of personal and professional life.

Add to the above influences a touch of Simon Gray when it comes to the acerbities and solipsism of backstage academe, and you have a funny, articulate but oddly machine-made play. Mr Davies has had considerable success with the TV series *A Very Peculiar Practice*, and the surface appeal, the quick attack of each individual scene, that characterise good television makes for a lack of depth in the theatre. There is the occasional jokey underlining, too, that belongs to more obvious sitcom: the discovery of rude photographs, for example, in a hall of residence named, naturally, Radclyffe Hall.

Prin presides over an independent College of Education where she divides her students, potential teachers, into prima donnas or job-lots (shades of Miss Brodie's *crème de la crème*). Vice-Principal is Dibs, *one of her former favourites*. They share a life together, complete with private jokes, baby talk and anthropomorphic fantasy about kippers and blackbirds. Prin contemptuously disregards the threat of a merger with the local Poly for economic reasons (*there are grim and certainly non-jokey* words about "the most ignorant and philistine country in the world").

She jeers at Boyle the biology teacher (Paul Copley, accurately dowdy and well-meaning) and, in a very funny scene, hears the confession of a lecturer who has had an affair with a student – John Michie, superbly earnest and bearded, discussing seduction in body-language terms ("She sat very close; I assumed this was a result of faulty social learning").

"Details, details! And plenty of them!" cries the Principal, calling Dibs in to listen ("The Vice-Principal doesn't have much fun"). Here the character becomes simply improbable, as she does when courting disaster in openly alienating the father of the seduced girl: the Director of Education, as it happens.

Prin is a collection of eccentricities rather than a human being, though there are illuminating lines, as when she reminisces about that time of hope 30 years ago when "practically everyone in the world was a privately educated left-wing Oxford historian."

Sheila Hancock gives an impeccably comic performance with signs that she could be even more moving if the part allowed. She shows the vulnerability beneath the arrogance, if not the true dedication of one devoted to "showing children how to be extraordinary" – but Muriel Spark's Edinburgh schoolmarm dogs the character too closely.

Given these reservations, the play is more entertaining and considerably more intelligent than much currently in the West End. Richard Wilson's production in slightly slavish obeisance to the fourth wall looks occasionally contrived, though the spotlit Prin's addresses to students and applications work well. Susie Blake, a beautifully observant actress often in unworthy plays, makes Dibs into a real person, grateful but tired, sadly turning the knife in the fallen Prin's wound.

Martin Hoyle

Alastair Muir

Sheila Hancock (top) and Susie Blake

The Rake's Progress

GLYNDEBOURNE

This summer's Glyndebourne Festival concluded on Wednesday with another performance of Stravinsky's opera – the 97th that Glyndebourne has given since 1953, when they staged its British première in Edinburgh. Who could have guessed that it would become such a staple? (The first review in the *Times* is said to have been headlined "Hands Off the English Language, Mr Stravinsky.") What has guaranteed this intermittent but seemingly endless run is the famous 1975 production by John Cox and David Hockney, which serves the opera perfectly while supplying its own visual delights.

As Max Loppert reported here when the revival opened early this month, it all looks fresh as paint and bright as a pin. My excuse for another visit was the new Rake, the young American tenor Franco Farina, who arrived in time for the last three performances. He knows his way around the role very well, having made his Italian and German débuts in it; for local consumption he might have polished up a few more British vowels, but it hardly mattered. (Besides, the radiant Anne in this revival, Sylvia McNair, is American too.) He cut a slightly woebegone comic figure, a natural victim rather than a glamorous young blood going wrong – easy prey for the affably carnivorous Nick Shadow of Jeffrey Wells.

In the countryside at the start, a touch more preening *élan*, and more voice – would have set him at a higher place to fall from, but his transformation into an insecure London blade was nicely accomplished. For the crisis-scene in the graveyard he found more plangent tone and forceful dismay: *the wry little tragedy* struck home. There too the conductor Sylvain Cambreling, whose effervescent account of the score had been kept on a loose-ish rein earlier, turned the right screws and gave the music its full weight, dark and *ominously urgent*.

We must hope that Glyndebourne will preserve this production in perpetuity – or at least give another generation or so the chance to see it. It sets a rare standard, and so far Hockney's jokey inventions show not a trace of *dating*: the shelf-life of this *Rake's Progress* has a long time to run yet.

David Murray

ARTS GUIDE

August 25-31

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York. (379 5399).

Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance.

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Washington

Gypsy (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Small World". Ends Sept 17 (254 3770).

Tokyo

Les Miserables. Imperial Theatre (201 7777) Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original - complete with John Gunter's superb set and lighting.(Ends August 31).

Maly Theatre, Leningrad. One of the USSR's oldest and most innovative companies in an adaptation (in Russian) of William Golding's Lord of the Flies (Tues), in repertory with two new Soviet plays, Stars in the Morning Sky (Wed, Thurs) and the epic six-hour Brothers and Sisters. Ginza Saison Theatre (535 0555).

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Colombia's drugs barons

COLOMBIA'S crackdown on the cocaine barons of Medellin is an exercise in self-preservation – which is why it may, this time, be for real.

The Medellin narcotics cartel has virtually destroyed the rule of law, something which three decades of semi-institutionalised army-versus-guerrilla violence never wholly achieved. The judiciary cannot function in the face of the traffickers' murder (of some 40 judges) and bribery. All judges have just been on strike to dramatise their impotence. Both US and Colombian officials agree that nearly a third of the ruling Liberal Party MPs have links with, or are financed by, the drugs industry. Pablo Escobar, the *capo* of the Medellin mafia, himself sat as an alternate MP for this party.

The cartel has penetrated the armed forces and security services (as well as assorted insurgent groups), and established an intimidating presence in civil society. Where it has faced opposition it has assassinated with brutal efficiency: generals, ministers, editors and industrialists. This is a terrifying power.

In June 1984 President Betancur's government threatened the cartel chieftains with extradition to the US – the controversial measure just revived by President Barco. They met in Panama and sent him a brazen memorandum offering to pay the then $13bn foreign debt and dismantle the industry in exchange for a judicial and tax amnesty. Mr Reagan's March 1986 Presidential Commission on Organised Crime suggested the Medellin mafia was almost the financial equal of the entire Sicilian-American mafia.

Fed on violence

The cartel has fed on Colombia's long history of violence and the four-centuries-old entrepreneurial and smuggling traditions of Medellin. But more decisive in its success has been US anti-drugs policy. This policy has been asymmetrical in its treatment of supply and demand; it has led ineluctably to the growth and geographical broadening of narcotics production; and it has subverted the laws of the market by putting a floor price under cocaine.

The US traditionally has concentrated its fire on the production and distribution of drugs, largely ignoring consumption by its own market, estimated at between 15m and 25m users. But eradication and interdiction – especially when successful – provide cocaine with great price resilience. Disruption of supply raises profits, and constantly recapitalises the chains of production and distribution – increasing and diversifying supply in the next phase of the cycle.

New cocaine power

For instance, Vice-President George Bush's South Florida Task Force succeeded in partially bottling up cocaine's favoured entry point to the US from 1984. Medellin simply switched to the longer Pacific seaboard, inevitably godfathering a new cocaine power in north-west Mexico, which in 1985-89 exported two tonnes a month across the border. The cartel's own emergence from the mid-70s is related to US successes against heroin in the Far East, Turkey and the so-called "French connection."

The US Administration has now come to recognise the inadequacy of its policy. Latin American irritation, and the lawlessness and misery wrought by "crack" – the cheap and addictive cocaine derivative – in American inner cities, have combined to focus attention on consumption. The new drugs policy President Bush is to unveil on September 5 is likely to emphasise containment of demand.

This welcome attempt to discourage drug use redresses the unevenness of the previous balance. And if President Barco proceeds with his extradition threats, the cartel could be badly damaged. But in the longer term, the economics of drugs will remain the same.

Unless the people of the rich countries can be dissuaded from demanding drugs, only the most dangerous side effects of that demand – those associated with its criminalisation – can be treated. Careful decriminalisation, under tight regulation and within international agreement, would destroy the financial basis of the industry. Failing a successful campaign to reduce demand, there may be no practical alternative to some form of legalisation, however politically unpalatable and ethically repugnant that option appears.

Compensation for investors

IN THE FIRST review of its Investors Compensation Scheme, set up a year ago, the UK Securities and Investments Board had to consider who should be covered and at what level of compensation, the distribution of costs between investment firms and the treatment of overseas investors within the scheme.

The SIB has rightly decided that only private investors should be covered. A compensation scheme should provide an adequate level of protection without imposing too great a financial burden on the sound investment firms which have to meet the cost. The decision protects a class of investor vulnerable to the vagaries of the market place, while leaving corporate investors to look after themselves.

The decision to maintain compensation only on the first £30,000 of an individual's investment maintains the principle of *caveat emptor*, while ensuring that the small investor does not lose his life savings. Nevertheless, the current limit looks rather low for a protection scheme, in comparison with the various financial Ombudsman schemes which carry a £100,000 limit. The fact that the scheme has not yet had to pay compensation anywhere near this limit should not stop SIB from reconsidering its level.

Costs sharing

The apportionment of costs between the Self-Regulatory Organisations (SROs) is a more complex problem. There is a strong argument for SROs meeting the full cost of compensation for their defaulting member firms and eliminating cross subsidies between SROs. Under the present situation, the Securities Association would meet at least half the costs of a £100m compensation claim for a defaulting firm authorised by any other SRO or by SIB itself.

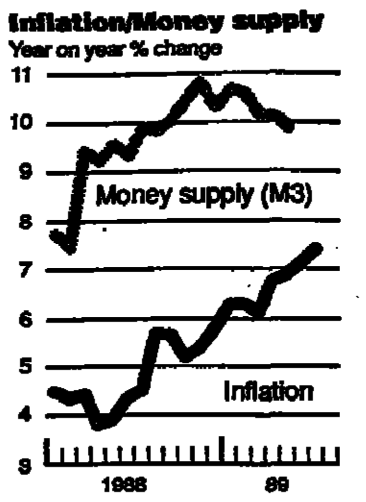
Against this, SIB has to take into account the ability of any SRO to finance the costs of a major claim without imposing too great a burden on its members. In particular, the Financial Intermediaries, Managers and Brokers Regulatory Association authorises several thousands of small businesses many of which were put under financial strain meeting the authorisation costs. Nevertheless, if SROs have to carry a greater proportion of the cost burden themselves, there is a greater incentive to get their monitoring procedures working efficiently.

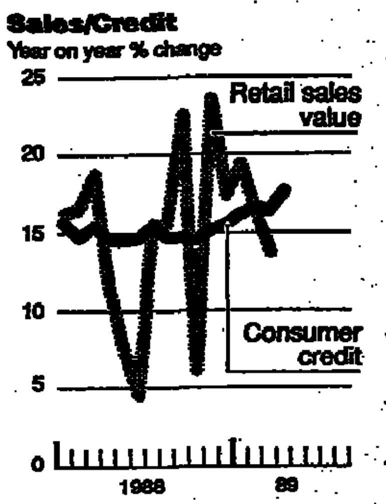
SIB should beware of assuming that insuring the cost of claims above a certain limit, on the lines of catastrophe insurance, would automatically smooth out the cross subsidy effects, though it may disguise them. For risks of this size, self-insurance is usually cheaper in the long run. SIB's proposal for pre-funding of liabilities to build up a fund to meet exceptional compensation claims looks a more practical approach to the problem.

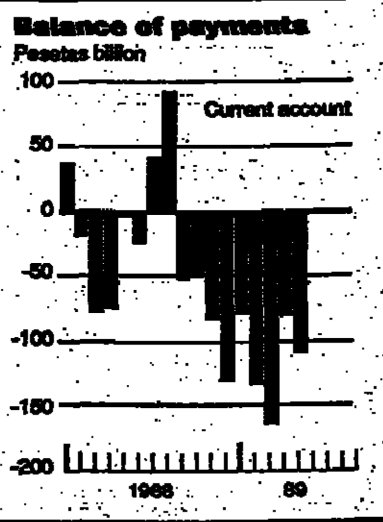
Legislation needed

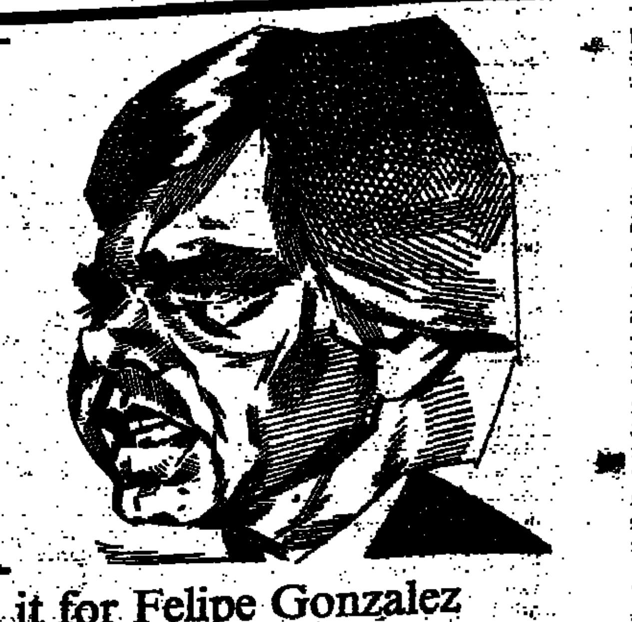
SIB should go further in its proposal to include life companies in the funding arrangements. It no longer makes sense for life companies to have a separate compensation scheme, even though that scheme was set up under the 1975 Policyholders' Protection Act. For the sake of completeness, SIB should seek legislation that would transfer compensation claims against defaulting life companies from the Policyholders Protection Board to the Investors Compensation Scheme, with life companies fully participating in that scheme.

The growing internationalisation of investment makes the question of how far the scheme should go beyond the UK and UK-based firms more than academic. And with the advent of a single market in Europe after 1992, SIB will have to adapt this scheme to the comparable schemes in other European Community countries. Meanwhile, SIB needs to be specific as to the limits of coverage when overseas investors invest through a UK-authorised firm and when UK investors invest through the UK operations of an overseas company; the Barlow Clowes affair is particularly relevant here. But SIB should drop its (admittedly tentative) suggestion that the scheme should exclude claims from investors overseas.









Peter Bruce looks at Spain's economic performance and finds trouble in it for Felipe Gonzalez

Little joy in the taste of success

If these are the fruits of success, who needs them? Mr Felipe Gonzalez, Spain's Socialist Prime Minister, has seldom been under greater political pressure. For the first time since he began running the country in 1982, Spain is in a real jam.

He is being urged by practically his entire party, including his loyal and trusted deputy, Mr Alfonso Guerra, to call an election now, eight months before he has to. Either that, or move with the utmost speed to crush the most optimistic and buoyant mood that most of his countrymen can recall. Evidence of how Mr Gonzalez makes up his mind could emerge as early as today, when the Cabinet meets for the first time after the summer holidays.

Mr Gonzalez's dilemma stems from the headlong nature of Spain's economic expansion. Spaniards, suddenly rich, are spending their money as though tomorrow were Doomsday. The Government, which despite its Socialist trimmings adheres devotedly to orthodox capitalist doctrines, is beginning to lose control of the game. Its attempts to slow down the economy's hectic pace are having no success at all.

Ministers admit that the economy is overheating but soothing pronouncements and forecasts of a slowdown have proved wildly optimistic. Although Madrid has boosted interest rates and tightened monetary and fiscal policy this year, consumer credit has risen more than 20 per cent in the last 12 months.

Before going on holiday, Mr Carlos Solchaga, the Finance Minister, was predicting that inflation had peaked at a year on year figure of 7.1 per cent. Two weeks later, the July price rises showed it up to 7.4 per cent after an unnerving 1.6 point climb in the month, making it likely that inflation will top 7 per cent for 1989 as a whole. Three days later, the Bank of Spain said the broad money supply measure had grown 24 per cent in July, bringing average growth for the year to 16 per cent, nearly double its 9.5 per cent target ceiling.

If Gonzalez goes to the polls, he will have been forced by the economy's astonishing resilience after four attempts this year to cool it down

Few statistics Mr Gonzalez took on holiday will have made pleasant reading. Gross domestic product is growing at an annual rate of about 4.5 per cent but domestic demand is rising at 7 per cent and – encouraged by lower tariff barriers – is sucking in so many imports that the country's current account deficit this year will rise more than 300 per cent to $11bn or 3.1 per cent of GDP. And that is an optimistic estimate.

Tourist receipts, which kept the current account in surplus from 1983 to 1988, are falling. Tourist arrivals, the country's biggest foreign currency earner, will rise only 1 per cent this year but the visitors will be spending less. It has been easy finding hotel rooms all over Spain this summer.

The peseta, recently shovelled into the exchange rate mechanism of the European Monetary System in an effort to stop it strengthening, has nevertheless risen some 10 per cent against sterling and the D-mark in the past 18 months.

Although unemployment fell to about 17.3 per cent in the second quarter (still more than twice the UK figure at 6.8 per cent and well above France at 10 and Italy at 10.7 per cent), pay rises promised in private sector wage agreements in the spring averaged out at just over 7 per cent. There is also little sign that the country's consumer boom is flagging. New car registrations this year will better last year's record 1.2m by at least 12 per cent.

So far this year, the Bank of Spain and the Finance Ministry have introduced a battery of credit restrictions and budget cuts in an effort to brake aggregate demand. The Bank of Spain has already admitted that more needs to be done. Mr Jose Luis Leal, a former Finance Minister and chief economist at the country's biggest bank, Banco Bilbao Vizcaya, reckons at least another round of measures of equal severity will be needed before the Government brings demand back into line with what the country is producing.

Mr Gonzalez is a clever political strategist but he is not an improvisor. All his instincts would be to serve out his full second four-year term, until June next year. He came under great Party pressure to call an election earlier this year after the unions had brought the country to a one-day standstill on December 14 in protest at his conservative economic policies. But Mr Gonzalez held his breath and nothing happened.

In the European Parliament elections in June, the Socialists actually increased their share of the vote while the right wing opposition parties both lost heavily.

Although many observers decided the million or so votes lost by the Socialists signalled deep disaffection with the Government, the truth is probably that Spanish voter participation in European elections has merely begun to fall to match other European Community members.

Party-political threats were therefore not uppermost in Mr Gonzales mind during his August break in his native Andalucia. If he goes to the polls, his hand will have been forced by the economy's astonishing resilience in the face of at least four attempts this year – excluding EMS entry – to cool it down.

His chief economic advisers are now insisting that he take drastic steps to slow the economy. The problem is whether to do so before or after an election.

Technocratic Ministers like Mr Solchaga and the Governor of the Bank of Spain, Mr Mariano Rubio, want a tough 1990 budget, a clampdown on hire purchase and, possibly, an increase in indirect taxes. An added danger is that because of a Constitutional Court ruling last December which outlawed the old income tax regime, payments for 1988 have been delayed until November.

The pro-election camp argues that it would be reckless to delay a vote until next year, when it would immediately follow a double blow to voters' pockets.

The Socialists would, in all probability, win an early election and hold their overall parliamentary majority. The main opposition, the conservative Partido Popular, led by the former Francoist Minister, Mr Manuel Fraga, has still not chosen a credible candidate to challenge Mr Gonzalez (Mr Fraga is concentrating on winning power in his home region, Galicia) following the dismal performance of its great hope in the European poll, Mr Marcelino Oreja.

The other right wing challenge, from the Centro Democratico y Social (CDS), led by former Prime Minister Adolfo Suarez, is even less threatening. A populist, Mr Suarez has spent the last two years trying to attack the Socialists from the left. It did not work in June and he is still in the process of trying to redesign more conservative policies.

The left, in the form of the the Communist-led Izquierda Unida (IU), marginally increased its vote in June but also lacks dynamic or even interesting leaders.

And while the industrial landscape remains relatively calm, this could change quickly. The unions are still smarting from their failure to move the Government much on social policy after last December's massive strike. The UGT, the big Socialist union, refused to support the Government in the European elections in June and might actively campaign against it in a general election. A cost-cutting budget would be considered a direct political challenge by the unions.

For the moment, industry is dripping with cash. Industrial production was up 4.4 per cent in the the first quarter of this year and corporate profits for the first half have continued to grow fast. Companies, for the moment, are financing themselves and there has been a sharp decline in calls for fresh capital on the stock markets. But credit restrictions imposed earlier this year, plus a 40 per cent rise in interest rates in a year – prime commercial borrowers are now paying banks about 15 per cent for funds – may soon begin to bite.

An instruction in July by Mr Rubio that commercial banks should sharply reduce their lending to consumers, is also likely to feed through quickly to the construction industry. That could have wider implications: the industry's fat order books for the past three years have played an important role in cutting unemployment. The order will also damage profits in the banking sector and inevitably feed through to the stock markets.

Already, industrialists who modernised plant to take advantage of Spain's new export markets in the EC have watched their competitive edge being whittled away by the rising peseta. Exports are forecast to grow 6.5 per cent this year, less than half the rate at which imports are increasing.

A recent report by the Chase Manhattan Bank, suggesting that, in fact, inflation may have peaked and that, with the entry of the peseta into the EMS, interest rates will begin to fall, is not much help to Mr Gonzalez. As Spain's external balances get worse, the $46bn cushion of foreign exchange reserves that has been built up by three years of euphoric foreign investment is in danger of being swallowed up quickly. Chase says the Government can live with current account deficits of up to 2 per cent of GDP but the Bank of Spain says it will soon top 3 per cent. At 3 per cent, says Chase "the country will begin accumulating net foreign debt."

It is slowly dawning on Madrid that the flood of foreign investment over the past few years, though still continuing, could dry up if conditions turn unfavourable. The largest component of foreign investment is portfolio investment in Spanish securities, highly sensitive to interest rates and an unreliable source of long term funds.

For the Bank of Spain, membership of the EMS has at least relieved it of constant pressure to play with interest rates to hold the economy in check. In theory at least, the buck has been passed to the Finance Ministry. Whether the political courage exists to make big spending cuts remains to be seen but already the Bank of Spain has come close to having to *lower* the cost of money in order to keep the peseta within its obligatory 6 per cent fluctuation band in the EMS.

The most potent and least subtle monetary weapon now being used by the Bank of Spain is its instruction to banks to stop lending so much to consumers. This will mean some banks limiting asset growth to 5 or 6 per cent for the rest of the year and bankers predict that sales of cars – most of them made in Spain – will be among the first markets hit as the hire purchase markets dries up.

Mr Gonzalez has the most delicate of balancing acts to perform. He has to squeeze the economy without frightening off foreign investors. He has to mop up "surplus" private investment capital without bringing the slow but encouraging process of job creation to a halt. Spain is teetering between inflation and recession. Fortunately for him, the political omens are still good.

And the worst has not yet happened. Spain's foreign reserves rose $1.6bn in July, the third highest monthly climb on record, to stand at $46.15bn, or enough to cover the trade deficit for two years. But most of the foreign funds in the last few months have been going into Treasury Bills issued by the Government to take advantage of the high interest rates it has itself generated. Foreign investment, for the moment, is covering the public sector deficit and not necessarily creating jobs.

It is slowly dawning on Madrid that the flood of foreign investment over the past few years could dry up if conditions turn unfavourable

Debt will not worry the Spanish Government. It certainly has not worried its citizens so far. But Spanish politics focuses on personalities, not ideas, and the country now has an image of itself as a success story. That could easily turn sour and its image-conscious Prime Minister knows only too well that that would do him no good at all.

OBSERVER

The fall of the Rose

It must have been the best part of 20 years ago in Madison Square Garden in New York in the very last second of a basketball game which his team, the New York Knickerbockers, was winning easily that Earl "The Pearl" Monroe apparently playfully threw the ball into his own basket, thus giving two points to the opponents. It made no difference to the result but the boots from the crowd demonstrated that it was not cost free. For many had bet not on who won or lost but on the "spread" – the margin of victory or defeat.

You couldn't blame it on the Pearl and nothing was ever proven, but in the minds and hearts of the serious gambler something had taken place.

This story comes to mind with the news yesterday that Angelo Bartlett Giamatti, scholar of renaissance literature, former president of Yale University and now Commissioner of Baseball, has banned for life one of the sport's most famous practitioners for betting on the game. This is Pete Rose, now manager of the Cincinnati Red Stockings who, as a player, hit successfully more often than any in the history of the game.

The Rose saga has probably consumed more column inches in the US this year than any other single story. Giamatti, in his ruling, which allows Rose the right to seek reinstatement after an interval, was careful to state that he was not found guilty of the ultimate offence of betting against his own team. It was, he said, "the covert act of wagery" that was at issue.

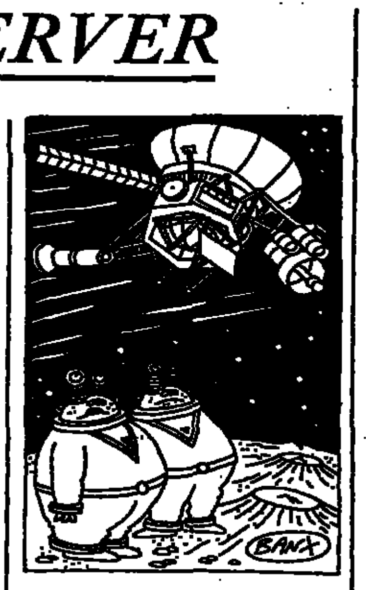
Curiously, one of the hot films on the American movie circuit is "Eight Men Out", about an earlier famous baseball bribery scandal, involving exactly 70 years ago the Chicago White Sox, who came to be known as the black sox; an equally famous player, "Shoeless Joe" Jackson, who gave birth to the immortal American phrase "say it ain't so, Joe"; and a commissioner of the sport with a name more exotic even than Giamatti's, Judge Kenesaw Mountain Landis. On that occasion, Landis, faced with a jury verdict of unproven in the matter of bribery, banned the players for life for not having reported the attempt to bribe. Giamatti seems to have arrived at a not dissimilar Solomonic verdict.

And other pearls

The affair opens a fair sized global can of worms on whether or not professional sportsmen can, do, or should bet on or against themselves. Some of the stories, like that of Earl the Pearl, are more in legend than fact. It used to be said of Bobby Riggs, the tennis player, that he liked, even at Wimbledon, to go 4-1 down in the fifth set and take bets from courtside that he could pull it out. It is a plausible story, given what he made out of his publicised match against Billie Jean King when he was in his tennis dotage.

But, increasingly, sporting authorities around the world take such activities seriously. In the US, where gambling is indelibly but not necessarily correctly associated with organised crime, the line may be savagely drawn. Even in his retirement, Willie Mays, the baseball immortal, was temporarily banned from association with the sport because he was acting as a front man for a casino.

Most recent real, not imagined, American scandals have involved basketball and football, where betting lines on the "spread", printed in most daily newspapers, attract lots of bets and provide the most obvious opportunities for fixes. Several extremely respectable American universities have found themselves immersed



Yuk - Seventies nostalgia

in nasty cases where players have admitted taking bribes.

But not here

At home, betting does not have the same criminal connotations (with Grand Met bidding for William Hill, how could it?). You do not have to call Nevada or be surreptitious in order to place a bet.

Graham Sharpe of William Hill agrees that there is a lot more betting on the spread, or on predicting exact scores, especially in soccer and tennis. But he doubts that a known professional sportsman could get away with wagering more than a fiver if placed against himself or his own team, simply because information is so freely traded among bookmakers. He cites a theoretical golfing example; his firm, now authorised to set up stalls at British events, would look askance if, at a tournament, another player were to bet against, say, Sandy Lyle making the half way cut, if the better had the chance to influence the outcome. "If Boris Becker came in and tried to bet against himself, we wouldn't take it."

It has happened, of course. 20 years ago Peter Swan and Bronco Layne of Sheffield Wednesday were found guilty of having laid bets against their team and, like Rose and Shoeless Joe, banned for life. Eight years back Dennis Lillee and Rodney Marsh took advantage of 500-1 last day odds against England winning a test, in which they were playing, only to find I T Botham turning the game around, and making them richer. They only got a rap on the knuckles (rightly, says Mr Sharpe). One ex-county player was, however, made promptly redundant for taking bets in the dressing room, but he was not batting well either. The snooker authorities are still deeply into an investigation of match fixing.

Any jockey caught betting will be banned for life (as several recently have been in the notorious Hong Kong affair). There is a popular supposition in the racing fraternity that top jockeys have nominees place their bets, a fine of inquiry pursued, but not proven, in the Lester Pigott case.

The answer

This lies in France. Giamatti and Landis are wonderful names but nothing compares with that of the head of quality audit at Cap Gemini Sogeti, France's biggest software house. He is called Christian Conscience. I wouldn't wager a nickel or a sou, nor put a virus in a programme, if I had to come up in front of him.

Jurek Martin

POLITICS TODAY

Voters can take a lot more greening

By Joe Rogaly

Parallel situations: Mr Chris Patten and Mr Ed Nijpels, the UK and Dutch Environment Ministers

"BE CAREFUL," Mrs Margaret Thatcher told her Transport and Energy Ministers at the beginning of the summer. "Look what happened to the Dutch Government when it got too ambitious about protecting the environment." What? "It fell."

Mrs Thatcher has since moved Mr Cecil Parkinson from energy to transport and put Mr John Wakeham in his place – but the story, perhaps apocryphal, lives on. It is rapidly becoming a fixed Whitehall belief. It is a potential curb on the political strength of the new Secretary of State for the Environment, Mr Chris Patten, not to mention his counterparts in other European countries. In every country there is a natural conflict of interest between such environment ministries as exist and, against them, departments responsible for transport and energy. The reason is clear: power generation and the use of private motor cars do more than most other human activities to create the greenhouse effect. You have to keep the lights switched on, Mr Parkinson used to say when at energy. I have no doubt that he will now be saying that you must have roads for motorists to drive about on. There is always the Dutch story to back him up.

The trouble is that the story is not true. The Dutch Government fell in May, but not really because of its plan for the environment. The plan was not even the proximate cause. The British Prime Minister's warning is based on a myth, not reality.

To understand what really happened it is necessary to focus for a few seconds on Dutch internal politics. The ruling coalition is headed by one of Mrs Thatcher's rare European allies, Mr Ruud Lubbers. He is a Christian Democrat of great personal popularity. One reason is that his countrymen find him charismatic, inexplicable as this may be to outsiders more accustomed to genuinely colourful politicians. (We are not talking Robert Redford here.) Another is his relatively secular approach. The formerly church-bound Dutch are rapidly turning heathen: last year, for the first time, more than half of them said they had no religion. This trend hurt the party with "Christian" in its title, until the pragmatic Mr Lubbers came along.

While the Lubbers part of the coalition has flourished, the Liberals, his junior partners, have floundered. In 1982 the Liberal Party had 32 seats to the Christian Democrats' 45. In 1986 this became 27 to 54. There is a strong Liberal fear that after the elections due on September 5 – just 12 days away – the balance will tilt even further against them, perhaps to 20-60, as non-religious but basically conservative voters rally behind the Lubbers Christian Democrats. According to one of Holland's leading poll-takers, Dr Maurice de Hond of InterView, the Liberals might then refuse to enter a fresh coalition, forcing Mr Lubbers to do business with the Dutch Labour Party. This has been a danger since the 1986 election, which laid the foundation for the current disarray.

What happened in May was that the personal rivalries within a dispirited Liberal Party finally erupted. The Liberals were spoiling for a fight, not least among themselves. They needed an issue, and picked on a single financial proposition within the comprehensive "National Environment Policy Plan" put forward by Mr Ed Nijpels, the Liberal Environment Minister. This was that a tax relief for commuters (all commuters, whether by car, train or bus) be withdrawn, the saving to be spent on promoting public transport.

It was a good issue to choose. Dutch Liberals are by nature fiscal conservatives. They are more like American Republicans or British Tories than Britain's Liberals. They favour tax cuts, not increases. They want less, not more spending. The Nijpels plan was itself sacrosanct: the Liberal Party supported everything in its 257 pages and 200 propositions save this one item. What could be represented as a disguised tax increase was not so sacred. It could be attacked, and was, to the point of dissolving the coalition partnership in the Cabinet.

These Dutch waters run deep. It so happens that Mr Nijpels himself is a problem for some of his brethren in the Liberal Party. A former leader who did very well in previous elections, he is, the polls say, the second most popular politician in the Netherlands after Lubbers. On one or two occasions he has even topped the polls. Once known as the "young dog" of his party, he is still only 39. He is uncannily like Britain's Chris Patten: the same quick understanding, the same ready smile, the same boyish looks. No wonder some Dutch Liberals cannot bear to hear the name Nijpels spoken.

All this is a long way from Mrs Thatcher's warning. The falsity of its underlying assumption becomes even more clear when you consider what has happened since May. Mr Nijpels has been kept off some regional voting lists, but he remains number 5 on the Liberals' ticket. He was the second speaker, after the party leader, when the current election campaign was formally launched on Wednesday night. His environment plan remains in his party's platform, the commuter tax proposal excepted. The three main Dutch parties are all putting forward a version of this plan, give or take a detail. They are competing on who can promise to spend the most – not the least – on environmental protection. The Liberals, who have seen what the public want, have won this particular auction: they now propose the highest expenditure of all.

This is not to say that the environment is an election issue. As Dr de Hond points out, the September 5 vote is really a referendum on whether Mr Lubbers should carry on as Prime Minister. In electoral terms, the environment is merely something everyone has to be in favour of. Nor does this Dutch tale prove anything, either way, about how much people are willing to forgo to pay for cleaning up pollution. Will they accept a tax on carbon emissions, which would make all fossil fuels more expensive to use? If not now, will they accept it if they believe that the alternative is the beginning of the end of the world? Answers to questions like that will be tested by various European Governments over the next few years.

Mr Patten will have to find the answers for himself, as he develops a British version of the comprehensive Nijpels plan. He will no doubt start with the principles outlined in the recent report by the London Environmental Economics Centre, under a group of authors headed by Dr David Pearce. There will be internal British Cabinet conflicts enough: electricity privatisation, for example, can only succeed if the new companies sell more electricity, thus destroying more of the environment. The Nijpels answer to this common phenomenon of government was to get the plan presented as a Cabinet decision, with the signatures of the potentially recalcitrant ministers attached. Mr Patten would need only one signature apart from his own – the Prime Minister's.

None of this should be insurmountably difficult. I suspect that most Western governments are almost ready to adopt what is already becoming the mainstream, conventional approach to the environment. This is the promotion of "sustainable development," as proposed in Our Common Future, the now famous Brundtland Report. "Sustainable development" is *the starting-point for the Nijpels plan*, as it is for the David Pearce proposals. Its essence is that we need not abandon conventional economic growth as a goal of policy; we just need to take care to account for the effect of various human activities on the environment. This means changing the way we think. The environmental impact will have to be fed into national accounts and individual project appraisals. In Mr Nijpels' view you consider first the environment, then economic growth – but you do need the latter, if only to pay for cleaning up messes created by past policies. In the Pearce view you still need to provide for an increase in incomes.

Thus the Brundtland-based approach is not quite a have-your-cake-and-eat-it philosophy, but to politicians it will seem like that. You can offer voters clean growth. As such it should be easy to sell. The question is, is it sufficient?

True greens believe that the concept of growth of the gross national product should be abandoned. Prophets of the necessity of such a painful road to salvation exist in every country. One is to be found, naturally, in the heart of the Dutch administration. Dr Roefie Hueting is head of the Department for Environment Statistics of the Netherlands Central Bureau of Statistics. As he puts it, the burden on the environment is the product of the number of people and the amount and nature of activity per person. "The only solution therefore seems to be to adapt the nature of our activities and the number of our species to the carrying capacity of our planet. For this, what we need least is an increase in national income," he says in one of his several learned papers on the subject.

Dr Hueting is no hairshirt moralist. Unlike some of West Germany's "fundis" and Britain's dark greens he is not opposed to growth of the conventional gross national product on moral grounds. He wants people to be more wealthy; he just believes that the risk to the environment is too great. He is therefore a critic of both the Dutch plan and the Brundtland report. His iconoclasm runs strong. For example, he disputes the proposition that production should be increased in order to create resources for environmental measures on the ground that "Environmental deterioration is precisely a *consequence* of industrial growth." He has been a true green for more than 20 years. "People always say I spoil the party," he acknowledges. If, today, his notions of policy were to be put forward in his way, the Government that *did* it might well fall. I hope he is wrong.

US academic salaries

Pay levels and the brain drain

By Andrew Oswald

The recent debate about the brain drain has been conducted without good information on salaries abroad. I report here some US statistics which ought to be of interest to all sides.

The American Association of University Professors publishes average pay figures for universities and for subjects. With these, I have estimated remuneration levels for Ivy League university teachers. My method uses the published differentials subject-by-subject, assumes those hold in all universities, and scales up by the average differential between Ivy League schools and other American establishments of higher education. I convert to sterling using an exchange rate of $1.50, which is an assumption about the long-run sustainable exchange rate.

These are estimates, it should be stressed. Data restrictions preclude anything else. The available raw statistics can be found in "Academe: Bulletin of the American Association of University Professors" (March-April 1989). My table gives estimated average compensation levels (not nine month salaries). The figures are 1988 averages based party on data for Columbia, Cornell, Dartmouth and Princeton.

Strikingly, the table shows how much earnings levels vary by discipline. Law professors earn half as much again as foreign language professors; scientists are much better paid than those who work in the arts. This is in stark contrast to Britain, where everyone is paid according to the same scale.

However, we are egalitarian only in this one dimension. Full professors in the US earn about twice as much as starting assistant professors. Yet the differential in the UK is even wider. In 1988, the average British professor received around £25,000 and the average junior lecturer around £10,000. The British are content to discriminate against the young.

Of course it is the absolute levels of pay which are galling to those teaching and writing in UK universities. The New York Times last week ran a story about a young University of Pennsylvania economist who earns more than £150,000 per year.

The table can show only average figures. It reveals that the typical junior US academic receives three times the income of his or her UK counterpart, and the senior academic earns twice as much.

Outside academia, US salaries are roughly 50 per cent higher than those paid in Britain. Some will conclude from these figures that British academics are grossly underpaid.

Andrew Oswald is a Senior Research Fellow at the London School of Economics. Before that, he taught at Oxford and Princeton. Later this summer he takes up the post of De Walt Ankeny Professor of Economics at Dartmouth College, near Boston. Two other members of the same LSE research team are also going to Dartmouth.

Remuneration in US Ivy League Universities
£ Sterling

	Full Professor	Assistant Professor
Law	74,000	37,000
Computer information	63,000	34,000
Business	62,000	38,000
Engineering	61,000	34,000
Physical Sciences	56,000	27,000
Mathematics	54,000	27,000
Psychology	53,000	32,000
Other Social Sciences	53,000	24,000
Biology	50,000	25,000
Letters	49,000	22,000
Foreign Language	49,000	22,000
Fine Arts	44,000	21,000

LETTERS

Unilateralist logic

From Mr Julian Lewis.

Sir, Your thoughtful leading article on defence (August 22) is not alone in asserting that "Labour is escaping from its manifestly unpopular unilateralism." Yet is this really true? A close examination suggests that there are no grounds for claiming that the Labour Party has fundamentally changed its position.

When Neil Kinnock and Denis Healey went to Moscow in November 1984, they secured "a firm undertaking," from President Chernenko to scrap 64 Soviet missiles if Britain's entire stock of 64 Polaris rockets were abandoned by a future Labour government. Did that mean that Labour Party policy had ceased to be unilateralist? Of course it did not.

The "unilateralism" to which voters object (an average of 67 per cent in poll after Gallup poll for the past five years) is *not* the taking of individual steps in disarmament without waiting for the other side: it is the notion of giving up *all* our nuclear weapons while the Soviet Union retains its ability to vaporise our cities.

It is unilateralism if we give them all up and the Soviet Union gives up none; it is unilateralism if we give them all up and the Soviet Union gives up an equal number; and it is still unilateralism if we give them all up and the Soviet Union gives up a much larger number – while continuing to possess enough to obliterate us.

Until Neil Kinnock comes forward with a pledge to hold on to nuclear weapons as long as the Soviet Union has them, he will remain a unilateralist. There is no hint of such a commitment either in his policy review document or in anything he has subsequently said.

Julian Lewis,
Policy Research Associates,
35 Westminster Bridge Road,
London SE1

The 'green tendency' counts

From Mr Tom Spencer MEP.

Sir, David Richardson's article, "Green tendency is poisoning water debate" (August 22), shows all the hallmarks of a mind-set *that will condemn* UK farmers to the margins in the political debate of the coming decade.

Agriculture in the 1990s must accept that it is subject to influences across a broad range of policies – medical, environmental, consumer and trade concerns – which go well beyond the producer's divine right to produce regardless of impact on other policies.

There are good environmental reasons for seeking to reduce the level of nitrates in our water, regardless of specific medical concerns. These arguments were well understood when the European Community directive on nitrates in drinking water was first proposed in the 1970s. The directive stems from a political period which pre-dates, by more than a decade, the eruption of green votes.

The UK Government is to be congratulated on its action on nitrate sensitive areas. It has a much clearer and more balanced appreciation of the inter*locking influences in this mat*ter than Mr Richardson.

Nothing, however, could be more dangerous for the long-term interest of farmers than the implications of the anecdote with which he closes. Quoting from a Midwestern source about the lack of concern over water quality in country areas as opposed to that in populated areas: "When you put critters close together they get excited over nothin'."

Those of us who serve on the European Parliament's agriculture committee, and who believe in the importance of the long-term stability and prosperity of farming, will fight to ensure *that* such a uni-dimensional siege mentality does not deny farming the support it merits.

Tom Spencer,
Thornfalcon House,
Northchapel, West Sussex

Business schools' MBA student intake

From Mr Robert A. Welford.

Sir, I do not understand why Mr Adam Watson Brown (Letters, August 21) thinks that business schools are interested only in engineers or financiers. My experience at London Business School (LBS), where I am studying for a part-time MBA, is that the intake is well balanced between disciplines and occupations.

My year, a fairly typical one, comprises 40 per cent managers, 19 per cent engineers, 18 per cent consultants and only 3 per cent financiers. By academic background the split is 37 per cent arts, 32 per cent engineers and 31 per cent other numerate subjects.

I would agree that the GMAT (graduate management admissions test) is a facile and immediately forgettable exam. But it serves a purpose, because it has to be passed well. Few candidates will be brilliant in all six sections; most will be mediocre in at least one. So some practice is advisable.

Taking the maths and logic sections: if candidates have problems with these in the GMAT, they are more likely to have problems with the more numerate courses in the MBA – particularly the financial and accounting courses, which students are much more prone to fail than general management courses. Failure in courses jeopardises the degree. The business schools try to avoid this by initial screening for the over-subscribed MBA, based on the GMAT.

I only have experience of selection by LBS. The criteria for selection are implicit, but appear to be: commitment to the MBA; intellectual ability to complete the course, and track record at work. I do not believe that the "arts versus science" graduate debate is relevant.

Robert A. Welford,
York House,
6 West Grove,
Walton-on-Thames, Surrey

From Mr Elroy Dimson.

Sir, Mr Adam Watson Brown (Letters, August 21) concludes that, through requiring the GMAT test as a part of their selection criteria, business schools discriminate in favour of "engineers and financial people" and against arts graduates.

Next month London Business School will welcome nearly 300 first and second year full-time MBA students from over 30 countries. All were interviewed before being offered a place.

Half of our students will have a technological or financial background. The other half are arts and social science graduates.

Elroy Dimson,
Director, MBA Programme,
London Business School,
Sussex Place,
Regent's Park, NW1

Ethnic conflict in Soviet empire

From Mr Notker Küng.

Sir, In his interesting article on rising nationalist temperatures in yet another Soviet republic, "Sun-scorched Moldavia primed to ignite" (August 16), Mr James Blitz writes:

"Stalin realised this when he annexed *independent* (my italics) Moldavia in 1940."

Having been part of the Ottoman Empire, Moldavia belonged to the Russian Empire. On January 24 1918 the territory declared its independence and voted to unite with Romania in December 1918. The Treaty of Paris (October 28 1920) confirmed this union.

Moldavia stayed with Romania until July 1940 when it was annexed by the Soviet Union. It returned to Romania in 1941 and was again annexed by the Soviet Union after the Romanian capitulation in 1944.

Notker Küng,
25, Snijdersdreef,
B-1900 Overijse, Belgium

No 'reform,' thank you . . .

From Mr Paul Donovan.

Sir, As an A level (advanced school leaving certificate) student, I was shocked to read your editorial ("Reforming the sixth form," August 23) suggesting an imposed broad curriculum for sixth formers.

I am studying both sciences and humanities, but many people specialise. If a person dislikes a subject, they should not have to study it, particularly if they are being educated at their own choice. Forcing people to study subjects just to give their education more variety must surely act as a deterrent to potential sixth formers.

Having spent 11 years studying a broad curriculum, 16-year-olds should be allowed enough independence to choose subjects they enjoy, and not have to study ones which a government minister in London thinks suitable.

Paul Donovan,
Ridge Cottage, Links Way,
Bookham, Surrey

FINANCIAL TIMES
Friday August 25 1989

Zaire meeting bids to restore Angola peace

By **Jim Jones** in Johannesburg and **Michael Holman** in London

AN ATTEMPT to restore the ceasefire in Angola, which collapsed yesterday when Unita rebels announced they had resumed fighting, gets under way today when President Mobutu Sese Seko hosts Mr F W de Klerk, South Africa's acting President, at a meeting in Zaire.

A formal announcement of the collapse of the ceasefire agreement, negotiated on June 22 by Mr Mobutu and other African leaders in Zaire, came in a statement issued in Lisbon. The rebels, who are backed by South Africa and the US, said: "The war has resumed."

It accused the Angolan Government of violating the ceasefire in the 14-year war by launching a military offensive. *The Government has made* similar accusations against Unita, and several efforts to consolidate the ceasefire and establish a joint administration have failed.

Hopes for progress had been raised last weekend. Mr Jonas Savimbi, the Unita leader, said he was ready to sign a permanent ceasefire and that he was "optimistic" about the peace process in Angola.

Mr Savimbi told reporters in Morocco earlier this week that he had sent instructions to the Unita representatives at the peace talks underway in Kinshasa, Zaire, to go ahead with the signing of a permanent ceasefire agreement.

As originally envisaged, say Western diplomats, Mr de Klerk was to have been present at a such a signing, attended by African leaders and representatives from both sides in *the Angolan conflict.*

This event would have represented an important development in the implementation of the south-western Africa peace pact, signed in New York last December.

In return for the withdrawal of some 50,000 Cuban troops from Angola, South Africa agreed to the implementation of a UN plan for Namibia's independence. Pretoria also said it would end its direct support for Unita, provided from army and air force bases in northern Namibia.

Although the pact did not spell out the implications for Angola's civil war, it was hoped that the Namibian settlement would help bring peace to Angola.

But diplomats said yesterday that efforts to enforce the Angolan ceasefire were undermined earlier this week, at a *summit in Harare, Zimbabwe,* of eight African leaders. Their communique on the Angolan peace plan was bitterly criticised by Unita, which argued that the leaders misinterpreted the terms of the ceasefire.

Unita said that the Gbadolite agreement envisaged a coalition administration in Angola, which would preside over multi-party elections. Although Mr Savimbi would not take part in the coalition, he did not intend to go into exile, and planned to lead Unita in a general election.

The Harare summit, however, left the impression that Unita would be absorbed into Angola's ruling MPLA party, and no role was envisaged for Mr Savimbi, now or later.

Unita's statement said yesterday: "Unita violently rejects the Harare communique and does not accept that Africa *decides . . . the direction of* other African countries."

It went on: "The Harare conference erred in not understanding what must be done in Angola."

Today's meeting, to be held in the north-eastern Zaire town of Goma, gives Mr Mobutu the opportunity to put the Angolan peace plan back on the tracks by clarifying what the ceasefire terms entail, and what role is envisaged for Mr Savimbi.

South African newspapers have reported that just two weeks ago, Mr P. W Botha, South Africa's former president, personally and secretly attempted to mediate in a dispute between Mr Savimbi and President Mobutu over the terms of the plan.

Today's meeting between Mr Mobutu and Mr De Klerk comes shortly before the South African leader's visit to Zambia *on Monday for talks with President* Kenneth Kaunda.

Violence in SA, Page 3

Energy giant of Mozambique slumbers on

Nicholas Woodsworth on efforts to reopen the power lines of the Cabora Bassa dam

SINCE ITS completion in 1977, the Cabora Bassa dam, in north-western Mozambique, has housed the largest hydroelectric complex in Africa.

With a capacity to generate more than 15 times the electricity demand of Mozambique, the 2,075MegaWatts Cabora Bassa project was conceived by its Portuguese backers as a foreign exchange earner, through sales of electricity to neighbouring South Africa.

Today the complex is well maintained and fully operational, the South African parastatal power company, Escom, has an established agreement for the purchase of cheap Cabora Bassa electricity and the project's German, Italian, and French contract builders are pressing for repayment of \$1.2bn in accumulated debt – a sum that the owners, Hidroelectricia Cabora Bassa (HCB), can pay only through electricity sales.

However, in the five years that a sales agreement has existed, not one watt of power has been sold over the border *to South Africa. The problem is* not technical or financial, but military and political.

Since independence from Portugal in 1975, Mozambique's left-wing Frelimo government has been fighting rebels of the Mozambique National Resistance (MNR). The rebels' attacks on strategic economic sites and lines of communication have brought Mozambique close to paralysis and the 900km of transmission lines running from Cabora Bassa to the South African border have been a prime target.

In 1984 South Africa, which had until then openly backed the MNR with military support, signed a treaty of mutual non-aggression with Mozambique. Through discussions with Portugal and the Mozambican Government – which, after independence, took a 20 per share in the Portuguese state-owned HCB, and will become a full owner when HCB's debt is repaid – South Africa agreed to begin purchasing electricity from Cabora Bassa.

In that same year, however, the MNR launched a sabotage campaign in which more than 500 transmission line pylons were blown up. HCB, unable to repair them has since lost all revenues from electricity export sales, and the Mozambican Government has been obliged to spend scarce foreign exchange in the purchase of power from South Africa.

Although Mozambique continues to believe that the South African Defense Force (SADF) is providing covert aid to the MNR, severe economic stress caused by the war requires that it seeks co-operation with its powerful neighbour.

Last June, Mozambican, South African and Portuguese officials met in Lisbon to discuss the rebuilding of sabotaged power lines and renew an agreement for the sale of electricity.

Under the new accord, South Africa and Portugal are each responsible for 50 per cent of the funds needed to restore the lines.

The South African Government is to make credits available to Powerlines, the South African construction company, for the rebuilding of pylons, while the Italian government, in an aid agreement with Mozambique, is to finance the provision of materials through the Italian company SAE.

Portugal, currently paying an annual \$57m in debt servicing and maintenance for Cabora Bassa, has declined any financial responsibility for the repair of pylons. Costs were originally estimated at \$26m. They have since tripled, however, with the discovery of another 890 pylons destroyed by the MNR last year; more than one third of the line's 4,000 pylons are now on the ground.

Last September the South African Government signed a further agreement on joint security and South African co-operation in the promotion of Mozambique's economic development, and in December it delivered R10m (\$5.7m) worth of trucks and non-lethal equipment to protect the Cabora Bassa transmission lines.

Mozambique, however, continues to believe there are elements in the SADF more interested in the country's economic destabilisation than a cheap source of electrical power for South Africa.

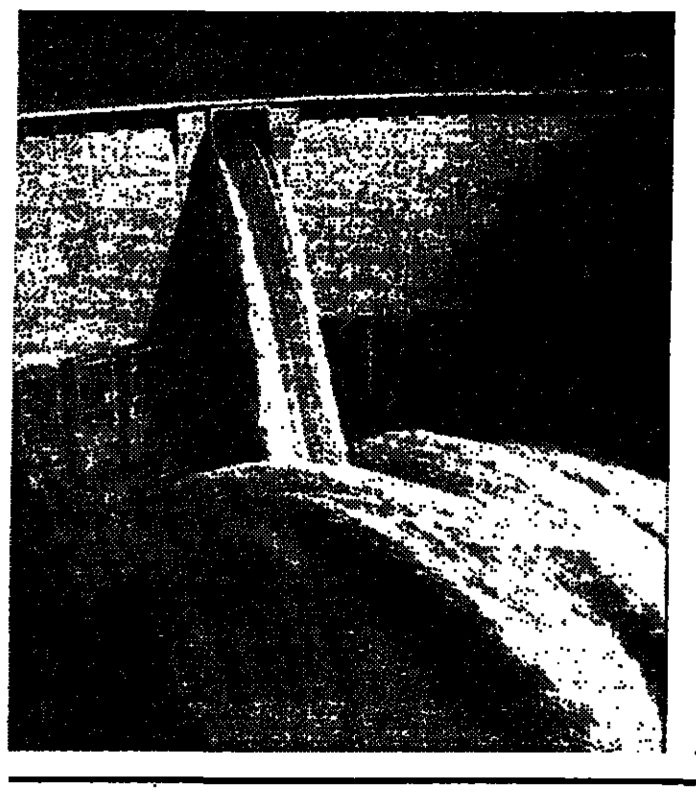
In January Mr Marcelino dos Santos, chairman of the Mozambican parliament, the People's Assemby, accused the South African armed forces of responsibility for the sabotage of the Cabora Bassa transmission lines.

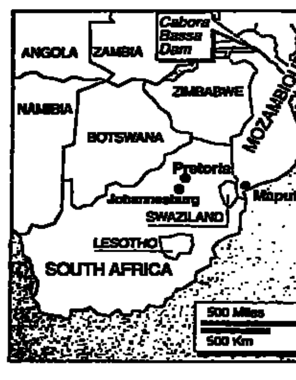
Work on the lines has not yet started and, according to Mr David Laubscher, head of the South African Trade Mission in the Mozambican capital, Maputo, the project's increased cost may now put its feasibility in question.

It is in the region's interest that peace and stability come to Mozambique, he says, and maintains that South Africa remains committed to the project. For the moment, however, *it is going no further than the* preparation of materials, and will install them only when security conditions change for the better.

That change does not seem imminent. In late July a National Congress discussion of moves to initiate a negotiated peace to end Mozambique's 13-year-old war was plunged into the dark when MNR rebels blew up lines supplying Maputo with power from South Africa.

More recent efforts by Mozambican church leaders to mediate on the Government's behalf with the MNR in Nairobi has not led to the hoped-for breakthrough. Whatever the relationship between the MNR and South Africa's military and intelligence units, Cabora Bassa is likely to remain Southern Africa's sleeping giant until security along its transmission lines can be assured.





Portugal, which is paying \$57m a year in debt servicing and maintenance for Cabora Bassa, left, has declined any financial responsibility for the repair of transmission pylons. Such costs were originally put at \$26m but have since tripled with the discovery of another 890 pylons destroyed by the Mozambique National Resistance last year; more than one third of the line's 4,000 pylons are now on the ground.

Mazowiecki elected as PM

Continued from Page 1

between the Soviet Union and Poland will continue developing on the basis of sovereign equality and respect."

Western leaders gave a welcoming response. In Washington, President George Bush sent a formal message congratulating Mr Mazowiecki on his election.

"We wish him well, of course," Mr Bush said at his vacation home in Kennebunkport. "It's a fascinating period in Eastern Europe."

In London, Prime Minister Margaret Thatcher sent a warm message of congratulations to Mazowiecki, a spokeswoman said. Mrs Thatcher reaffirmed Britain's readiness to help Poland achieve democracy and economic recovery.

Behind the speeches in the Polish parliament yesterday, an increasingly fierce debate raged over the allocation of Cabinet posts – with the United Peasant Party and the Democratic Party publicly objecting that the extention of the coalition to include the Communists had not been part of Solidarity's initial offer to them and might deprive them of the plum ministries.

Mr Mazowiecki has refused to comment on how he will arrange the 23 ministerial posts in his Cabinet.

After his speech to the Sejm, the dignity of office fell on the normally dishevelled Mr Mazowiecki.

He went with his three sons to the office he will occupy as Prime Minister, or in official parlance, chairman of the Council of Ministers.

In his first Prime Ministerial press conference, he parried questions about the Cabinet and the economy, preferring such inspirational comments as: "There is a green light for Poland but everyone has to light it themselves."

He said that "debts have to be paid back – but debts contain a certain element of injustice in international affairs."

Colombia drug barons declare 'total war' on Government

By **Sarita Kendall** in Bogotá

PRESIDENT Virgilio Barco last night faced new threats to his fight against Colombia's cocaine industry, as the drug barons started to hit back.

There is growing domestic criticism of the inadequacy of measures taken after Senator Luis Carlos Galan, the popular Presidential candidate, was assassinated last Friday. The measures are not far-reaching enough and do not tackle more substantial, underlying problems, according to leading politicians and businessmen.

The cartels responded to the clampdown yesterday by bombing the offices of the New Liberalism and Conservative parties in Medellin, and burning down farms owned by prominent figures, including a former finance minister.

A communique found at the site of one attack, signed by "The Extraditables," a group known to carry out bloody acts for the Medellin cartel, said: "We declare total and absolute war on the government, on the *industrial and political oligarchy,* on the journalists that have attacked and ravaged us, on the judges that have sold out to the government, on the extraditing magistrates, on the presidents of the unions and all those who persecuted and attacked us."

Although large-scale retaliation is unlikely while the cocaine traffickers are on the run, drug enforcement experts believe it will not be long before the assassins strike again.

The anti-drug decrees are increasingly seen as patchy, superficial measures which will keep the traffickers at bay for a while, but do not affect their deeply-encrusted influence in Colombian politics, economy and society.

Former President Misael Pastrana, of the Social Conservative Party, warned that democracy in Colombia is under threat. Councillors, Congressmen, mayors and President Virgilio Barco's successor are due to be elected in the first half of next year. At the very least, it would be impossible to campaign in dozens of municipalities.

The Government's anti-drug package included measures to defuse the country's endemic violence. These are aimed at armed groups of both the far left and the far right, and in particular at the National Restoration Movement (Morena), a drug-linked right-wing group.

MPs call for probe into drug mercenaries, Page 4

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	T	30	86	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	33	91	Edinburgh	R	15	59	Manchester	F	17	63	Rio de J'o	C	34	93
Amsterdam	F	19	66	Faro	S	33	91	Manila	F	33	91	Rome	S	30	86
Athens	S	34	93	Florence	S	32	90	Melbourne	C	12	54	Salzburg	C	23	73
Bahrain	S	38	100	Frankfurt	S	25	77	Mexico City	C	24	75	San Francisco	F	13	55
Bangkok	F	34	93	Funchal	S	25	77	Miami	S	28	82	Seoul	S	30	86
Barcelona	F	30	86	Geneva	S	25	77	Milan	S	29	84	Singapore		–	–
Beirut		–	–	Gibraltar	S	26	79	Montreal	F	14	57	Stockholm	R	10	50
Belfast	R	14	57	Glasgow	R	15	59	Moscow	S	17	63	Strasbourg	S	25	77
Belgrade	S	27	81	Guernsey	S	19	66	Munich	S	23	73	Sydney	S	15	59
Berlin	F	23	73	Helsinki	R	11	52	Nairobi	C	20	68	Taipei	C	33	91
Biarritz	F	24	75	H. Kong	T	29	84	Naples	S	33	91	Tangier	S	31	88
Bombay	R	26	79	Innsbruck	S	25	77	Nassau	F	32	89	Tel Aviv	S	31	88
Bordeaux	S	26	79	Inverness	C	13	55	New Delhi	R	25	77	Tenerife	F	35	95
Brussels	S	23	73	Islamabad	C	31	88	New York	S	21	70	Tokyo	F	31	88
Budapest	C	26	79	Istanbul	S	30	86	Nice	S	29	84	Toronto	C	13	55
B. Aires	R	10	50	Jakarta	C	33	91	Nicosia	S	33	91	Tunis	F	34	93
Cairo	S	34	93	Jersey	F	19	66	Oporto	F	22	72	Valencia	C	30	86
Cape Town	F	17	63	Jo'burg	S	21	70	Oslo	F	17	63	Venice	S	30	86
Caracas	F	29	84	Lima	C	18	64	Paris	S	25	77	Vienna	F	23	73
Casablanca	S	30	86	Lisbon	S	27	81	Peking	C	26	79	Warsaw	S	21	70
Chicago	C	20	68	London	S	23	73	Prague	F	23	73	Washington	C	23	73
Cologne	S	24	75	Los Angeles	C	18	64	Reykjavik	S	13	55	Zurich	F	22	72
Copenhagen	F	17	63	Luxembourg	S	22	72								
Corfu	S	35	95	Madrid	F	32	90								
Dallas		–	–	Majorca	S	32	90								
Dublin	C	18	64	Malaga	S	31	88								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Tokyo shaken by further sex scandal

Continued from Page 1

In desperation, party leaders turned to Mr Kaifu, a little-known but demonstrably clean politician, to try to lead them back to public favour. The new Prime Minister has had some success in projecting an image of rectitude in his first two weeks in office but the revelations about Mr Yamashita are a bitter blow.

Mr Yamashita is a long-time close associate of the Prime Minister and a member of the same LDP faction. If he goes, there is some doubt that the Kaifu Cabinet can survive.

Mr Kaifu is also about to embark on a trip to Washington next week to reassure US leaders that despite the recent scandals the Japanese Government is in stable hands.

To an outsider, the simple solution would be for Mr Yamashita to resign. But he said he would base his decision in part on how the public reacted to the affair.

However, the morality of politicians and public confidence in the Government are no longer the only issues involved. The sudden erosion of long-established Japanese customs is causing alarm in political circles.

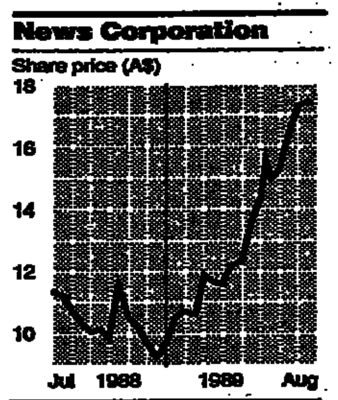
"It will be no good if a cabinet minister has to resign every time there is a disclosure of a sexual affair," Mr Takayoshi Miyagawa, president of the Centre for Political Public Relations, said yesterday. "If this goes on, there will be no one left to fill the Cabinet," Mr Natsuhiko Yamamoto, a well-known social critic, added.

Government leaders appear to share this concern. Yesterday, they urged Mr Yamashita not to resign.

THE LEX COLUMN

Bass plays host on a grander scale

Today being the second anniversary of the Dow's all-time high, it is perhaps appropriate that the FT-SE should be nudging2,400, 50 points short of its own record. The big bid rumoured for this morning, if it arrives, will illustrate what is pushing the London market. Justifying prices at these levels is another matter.



Bass

From the narrow viewpoint of the stock market, the most striking aspect of Bass's purchase of Holiday Inns is that its stock will never be the same again. Bass was always the most friendly and conservative of investments: a little staid and undergeared, perhaps, but secure in its position as Britain's biggest brewer and publican. Suddenly it is also the world's biggest hotelier, highly geared financially and operationally to the ups and downs of the US economy.

Yesterday's 4 per cent fall in the shares had less to do with earnings dilution than with the market's memory of previous upsets for UK operators in the US hotel and restaurant market. It is perhaps more relevant to draw a contrast with Grand Met and Scottish & Newcastle, both of whom have recently broken the historic link between pubs and hotels by selling their hotel chains. But there are material differences; in particular, the traditional link has been through real estate, whereas Holiday Inns is a branded franchising operation much more analogous to Grand Met's venture with Burger King. And unlike Grand Met, Bass had previous experience of what it was letting itself in for as both owner and franchisee.

As for Holiday Corp, it is left as an ungeared casino operator with more than half its operating profits intact. Having incurred a mountain of debt two years ago with a special dividend of \$65 a share, the group now proposes to go through the whole thing again with a payout of \$35. Its shares have jumped nearly 10 per cent in response. Plainly, tales of the US market becoming wary of leverage are premature.

News Corporation

For the first time in several years, Mr Rupert Murdoch's News Corporation is trading at a premium to the local Australian market. But there is little evidence in the group's latest annual results to justify the recent massive rerating. A 7 per cent rise in net income, to A\$496m, is much slower than normal and when set against the near one third rise in revenues it shows that News Corporation has had to run pretty fast just to keep pace with the financing needs of its chunky acquisitions.

Its annual interest bill has jumped from A\$233m three years ago to A\$934m last year and its growth in pre-interest operating profits has been far slower, which explains why News Corporation has had to make some well-publicised asset disposals. Even so, were it not for the decision to warehouse its book publishing operations in an off-balance sheeet vehicle, the group's gearing would still be above 100 per cent.

However, there is nothing surprising about Mr Murdoch's aggressive gearing levels and unlike some other well-known entrepreneurs he has always shown an admirable reluctance to issue paper which would dilute his substantial interests. When compared with US media stocks, News Corporation's current fully-taxed multiple of close to 15 times earnings still looks cheap. Admittedly, Sky TV is consuming cash at an unnerving rate but Mr Murdoch, unlike Mr Alan Bond, always seems able to cash in even his loss-makers at a handsome profit. The first sign that this is no longer the case and News Corporation shares deserve to tumble.

Marley

Given that business cycles in bricks may date from ancient Egypt, the difficulties some producers still have foreseeing turns in the market are a sad comment on their frailty. After yesterday's bearish interim figures from Marley, it is enlightening to go back and read its last annual report.

At the year-end, the talk was all of adding plant for another 160m bricks in the UK and a new concrete block factory in the UK. With 45 per cent of group profits from the UK housing market, the crunch came this May when the housebuilding slump suddenly hit Marley's daily sales figures. Yesterday's small rise in half-yearly profits may presage a fall for the year of as much as 15 per cent from 1988's £70.2m; equally worrisome is a deterioration in operating margins in three of Marley's five buildings materials divisions.

The problem with Marley, and with the building materials sector generally, is to judge whether the past 14 weeks of worsening underperformance have begun to throw up buying opportunities. If the sector's price behaviour is a close proxy for movements in UK base rates, as has visibly been the case for the past 15 years, the answer is no, since definite news on that front may still be some way off. Meanwhile, while the recession in housebuilding and refurbishment is working its way with a vengeance into share prices, the key is to watch for those companies whose high gearing, whether on or off the balance sheet, has ratcheted up their risk profile.

Ericsson

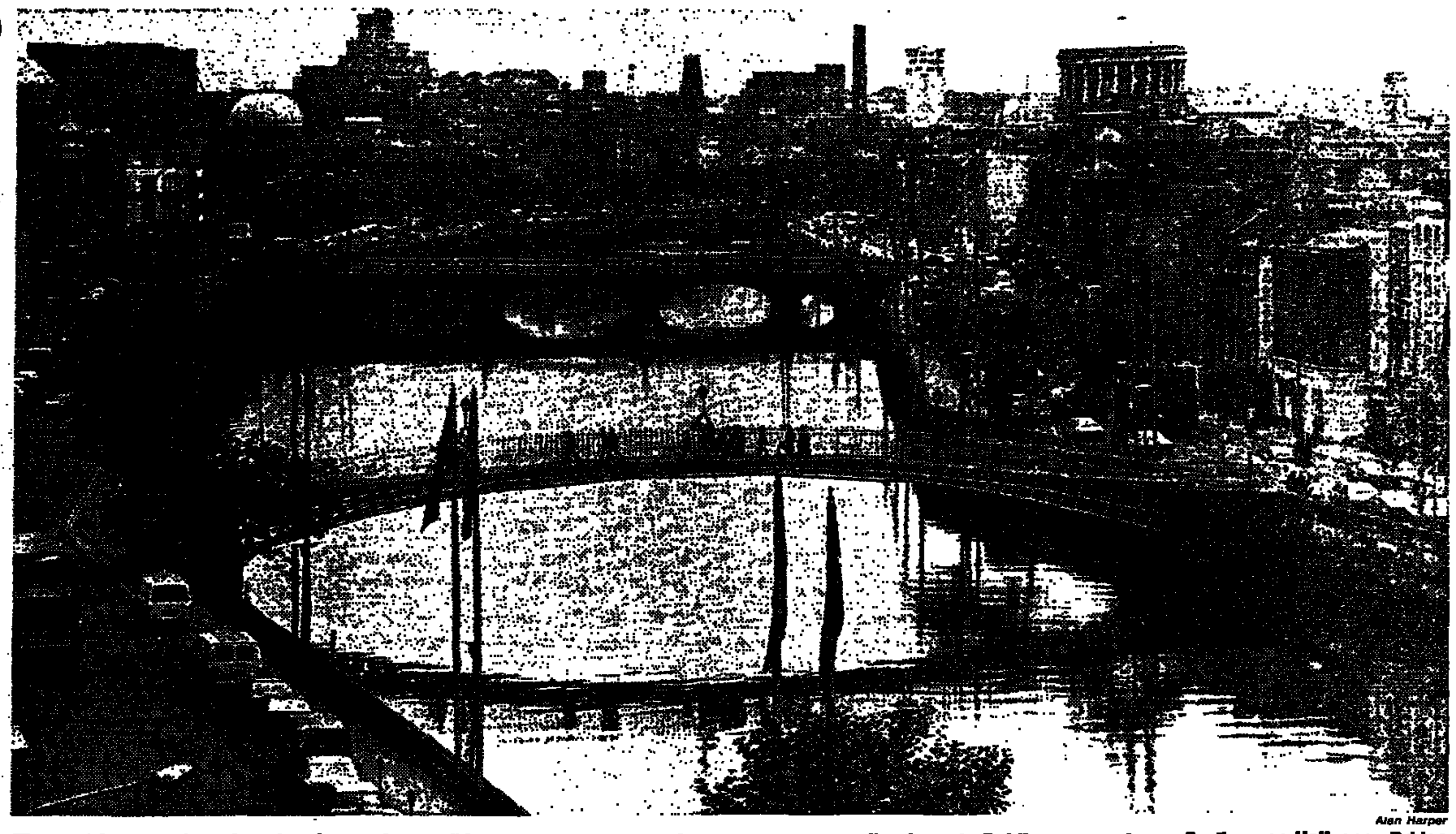
Ericsson's costly venture into business systems is now only a distant memory and the shares' substantial rerating over the past year has meant that it has been the top performing Swedish blue chip and one of the best performing European shares. However, yesterday's interim results – a more than trebling in earnings in orders – underscores the fact that Ericsson's recovery is proving to be even faster and more substantial than expected. Only a few months ago it seemed set to increase its full-year profits from SKr1.8bn to SKr2.5bn; but the company yesterday forecast that the figure would be in excess of SKr3bn. Its latest joint venture with GE will help it to defend its market leadership in the fast-growing mobile phone business and while a prospective multiple of close to 17 times earnings is beginning to look high, Ericsson is beginning to have a certain rarity value as one of the last near-pure telecom plays left in the European market.

SECTION III

FINANCIAL TIMES SURVEY

Mr Haughey, though forced into coalition, means to present an image of stable government in the run up to Ireland's EC presidency, writes **Kieran Cooke**. The economy is healthier, and the trade picture bright. But 1992 and the single market will present challenges.

Confidence rekindled



Alan Harper

The punt has kept its value; there's growing confidence in the money markets; consumer spending is up in Dublin ... monetary reflections on Halfpenny Bridge

IRELAND

CONTENTS

Editorial production: Martin Davies

THINGS HAVE been a bit rum in Ireland recently. On some days this summer, Dublin temperatures have been higher than those in Athens and Madrid. Topless women have been sighted at the Forty Foot, the famous bastion of males-only bathing on the coast outside Dublin.

Most rum of all, Fianna Fail, *the party of power for the* majority of years since the country's independence, has been forced into coalition government.

The year started quietly enough. The minority administration of Mr Charles Haughey, the Prime Minister, and his Fianna Fail party, seemed to grow in popularity as it went about tackling serious economic problems.

The Opposition occasionally gnashed at government heels, but there seemed little chance of any sustained assault on Fianna Fail's hold on power.

In mid-year, Mr Haughey surprised everyone, including members of his own party, by calling an election. The politically-erudite Mr Haughey misjudged the mood of the country. He wanted a majority. The electorate refused to deliver. During a rather lacklustre campaign Mr Haughey talked of the considerable economic progress made under the two and a half years of his administration. Voters were more interested in the effects of government cutbacks, particularly on the health services.

Fianna Fail lost seats in the Dail, the Irish parliament. For a time, Mr Haughey seemed mesmerised, a Lear-like figure unable to accept the new and *none-too-pleasant political* reality visited upon him.

Fianna Fail was eventually forced to join forces with the small Progressive Democrats party to form a new government. After complex political bargaining and policy discussions, a four-year programme of social and economic progress has been devised. Mr Haughey has regained control. He is determined to present an image of stable government, particularly in the run up to Ireland's presidency of the EC in the first six months of 1990. But for Fianna Fail and its leader it has been a bruising time.

Recent domestic political events have tended to overshadow achievements in other areas. Ireland is playing an increasing role in Europe. Mr Ray MacSharry, the former minister for finance, was given the important job of EC Commissioner for Agriculture at the end of last year. Relations with Britain have survived some particularly taxing episodes in recent months. Events in Northern Ireland and arguments over extradition have caused friction between Dublin and London.

Mr Haughey played a low-key and carefully measured role in the circumstances; and, while he and Mrs Thatcher may not always be ideal dancing partners, at least they don't tread on each other's feet quite so frequently. The four-year-old Anglo-Irish Agreement has proved an invaluable framework for airing differences: the agreement has also made some solid, if unspectacular, progress on some of the issues within Northern Ireland.

The Irish economy has continued to respond to strong fiscal medicine. A stop-go cycle has characterised Ireland's economic history. There is now an opportunity for sustained growth, certainly in the medium term. Gross national product is expected to grow by 4 per cent in 1989 – a percentage point higher than government predictions. Most forecasts suggest that GNP will be maintained above the 4 per cent mark up to 1993.

The improvement in the Government's borrowing performance since 1986 has been dramatic. Three years ago, the borrowing requirement was almost 13 per cent of GNP. This year, it is expected to be about I£900m, or 4 per cent of GNP.

The drop in the borrowing requirement has been achieved by some drastic and, as Mr Haughey found, politically-costly public expenditure cuts. There has also been a reorganisation and tightening of the tax-collection regime. Latest forecasts from the Department of Finance indicate that tax receipts this year will be more than I£100m ahead of the figure forecast in the January budget.

Standard tax rates were cut for the first time in 20 years in the budget. While Irish income taxes remain among the highest in Europe, the new government aims to reduce the standard tax rates from the present 32 per cent to 25 per cent by 1993.

The trade picture has never been brighter. It is likely that exports this year will be more than I£14bn, up from last year's record of I£12bn. There are signs that the return of economic confidence has led to a rapid rise in imports. While a considerable portion of imports are plant and machinery to feed new industrial investment, there has been a surge in consumer spending, particularly in the Dublin area. New car registrations were up more than 20 per cent in the first six months of this year. Rising imports mean that this year's balance of payments surplus is likely to be only slightly higher than last year's I£437m.

The Government's Programme for National Recovery, involving unions and industry in wide-ranging pay agreements tied to overall economic performance, has worked well. In the last year, there have been fewer strikes than at virtually any period in Ireland's history.

But, with a growing popular perception of better economic times, the pace of pay claims is *likely to quicken.* A property boom in Dublin and growing consumer spending has forced interest rates up, though they are still well below UK levels.

Ireland has successfully fought the inflation battle: from an annual rate of nearly 20 per cent in 1980, down to a little over 2 per cent last year. However, prices are going up; and, by the end of 1989, inflation will probably be slightly more than 4 per cent. The punt (the Irish pound) has maintained its value within the European Monetary System, and there is a growing maturity and confidence in the Dublin money market.

While Ireland has pulled itself back from the economic brink, several major problems remain. Any significant slowdown in the outside economy could jeopardize growth prospects. A downturn in the UK, which still accounts for more *than 30 per cent of total Irish* exports, could leave Ireland stumbling badly. The national debt, of I£25bn, seems set to be a constraint on economic progress for the foreseeable future. Government cutbacks have brought debt stabilisation but no reduction. Debt still eats up a large slice of the economic cake: debt-servicing this year will amount to more than I£2bn, or I£40 a week for every worker in the country.

"That is why, even though our public finances are improv*ing faster than had been expec*ted, there is no question that the Government can now dispense with expenditure restraint and engage in a spending spree," says Mr Albert Reynolds, the Minister of Finance.

Public-sector spending has been the traditional engine of Irish economic growth. The state is now disengaging itself from many areas of economic activity. While industrial investment has risen, many Irish companies show a marked reluctance to commit funds to long-term projects within Ireland. Many invest overseas, in the UK and in the US (though rarely in continental Europe), rather than at home.

In the run up to 1992, Ireland is likely to receive more than I£3bn from EC structural funds. This money is vital to the development of Ireland's infrastructure, parts of which have been hit severely by fiscal cutbacks. In particular, the road system urgently needs development and repair.

Private-sector investment is vital, to maximise the "take" from Brussels and ensure future development. The Government faces a considerable task, persuading business to make the type of long-term investment that is urgently needed.

Significant challenges are being ushered in. Ireland is still a high-cost economy: many *changes will have to be* made in advance of 1992, if it is to compete with the rest of Europe.

By comparison with many of their continental counterparts, Irish banks are conservative, particularly in their lending practices. Increased competition will doubtless force changes. Ireland's insurance companies also face a shake up: the days of premiums well

Continued on page 3

KEY FACTS

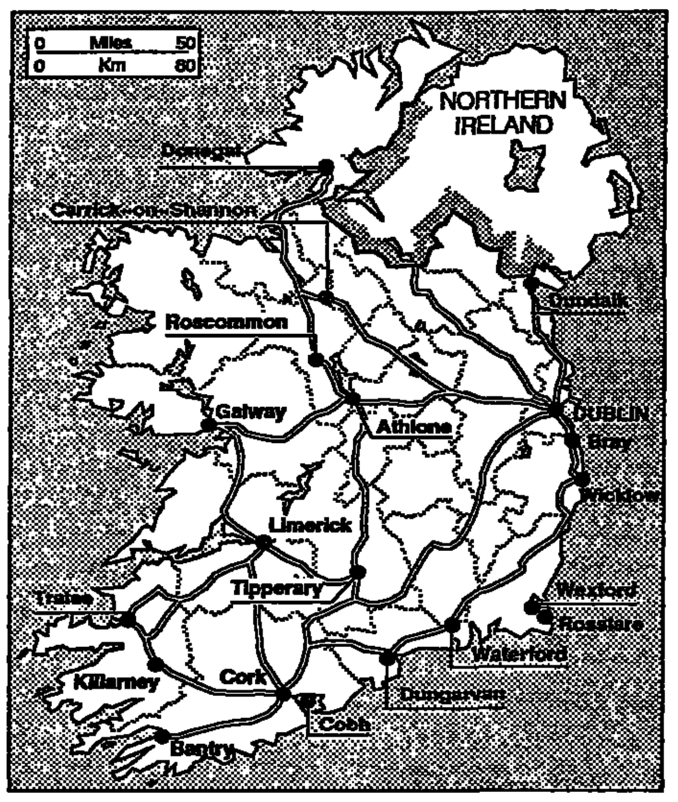
Area	70,000 sq km
Population	3,538,000
Prime Minister	Mr Charles Haughey

Age structure of population:

0-14	28.3 per cent (*UK 18.9 per cent*)
15-44	43.8 per cent (*44.1*)
45-64	16.8 per cent (*21.5*)
65+	11.0 per cent (*15.5*)

Net migration ('000): -41.9 (1960); -3.4 (1970); +1.1 (1981); -25.8 (1986)

Unemployment (March 1989): 18.5 per cent of labour force



GDP per capita (1987)	$6,120
Growth in GNP (1988, provisional)	3.5 per cent
Average annual growth in GNP (1980-87)	0.9 per cent
Inflation (1988)	2.15 per cent
Average annual rate of inflation (1980-87)	10.2 per cent
Currency	100 pence = 1 punt (I£)
Average exchange rate	$1 = I£0.66; £1 = I£1.17
Exchange rate (August 22)	$1 = I£0.73; £1 = I£1.15
Merchandise exports	$18,724m
Merchandise imports	$15,567m
Current account balance	$0.64bn
Official reserves	I£2,051m
Public sector external debt (December 1986)	I£m12,041

Main destinations of exports (percentage of total): EEC (72, of which UK = 35.4); US (7.7); Japan (1.9); oil exporting countries (2.6) *[see table with Trade article]*

Main sources of imports (percentage of total): EEC (64.2, of which UK = 41.85); US (15.96); Japan (4.85)

Total tourist revenue (1987) = I£1.014m
Number of tourists (1987) = 2.662m

POLITICS: Fianna Fail and the PDs appear to have accepted reality, says **Kieran Cooke**

Mr Haughey's tortuous balancing act

Mr Haughey being congratulated last month on his re-election as Prime Minister. But he had to enter into a coalition

NO ONE is more familiar with the bumps and jostles of political life than Mr Charles Haughey, the Irish Prime Minister.

A member of the Dail, the Irish parliament, since the late 1950s, Mr Haughey is the country's most experienced politician, having at one time or another held virtually every post in government. But even he must be a little shell-shocked from recent events.

Until only a few months ago, it seemed that Mr Haughey and his governing Fianna Fail party could do no wrong. In power since early 1987, Fianna Fail's popularity had rarely been higher. Mr Haughey was riding the crest of the wave. Despite sweeping expenditure cutbacks, large-scale emigration and unemployment levels approaching 20 per cent, it seemed the Irish people welcomed the sort of strong government Mr Haughey offered. And it seemed that the electorate accepted Mr Haughey's straight-talking message that, unless something was done about the dire state of Ireland's finances, the country would slide into ignominious bankruptcy.

Even business people, not usually part of the Fianna Fail admiration club, had wholeheartedly embraced the Haughey message.

Yet now Mr Haughey finds himself at the head of an administration that he clearly never wished for. A vital part of Fianna Fail dogma has been destroyed: the party has been forced into sharing power with another political group. Mr Haughey goes on his summer break thinking of what might have been.

The year started quietly enough. Fianna Fail, having only 81 deputies in the 166-seat Dail, had been successfully running a minority administration. The main opposition Fine Gael party and the smaller Progressive Democrats party had been supporting the broad thrust of government policy: a consensus existed about the way Ireland's financial problems should be tackled.

There had been a few government setbacks: Mr Haughey had been particularly rattled by opposition allegations about wrongdoings in the meat industry. There had been defeats for the Government on a few votes in the Dail. But, all in all, Fianna Fail had had a smooth ride. There had been none of the embarrassing incidents that had characterised past Haughey administrations. The Opposition had been outflanked by the Government. It was not interested in an election. The electorate clearly did not relish a trip to the polls.

When future history books are written, Ireland may well be singled out as the first country to have gone to the polls on the AIDS issue.

In mid-May, the Government was defeated on a Dail motion, in which the Opposition were demanding more funds to be allocated to haemophiliacs infected with the AIDS virus. Mr Haughey responded by threatening an election, taking not only the Opposition but also his own party by surprise. He accused the opposition of "ganging up" to defeat his Government on vital matters of public expenditure. He warned of the dangers of instability, particularly in the run up to Ireland's EC presidency at the beginning of 1990.

Having fired the first salvo, Mr Haughey had little alternative but to go to war. An election was called for mid-June. The result was little short of disastrous for Fianna Fail. Mr Haughey went to the polls on his record: Fianna Fail had saved the country from bankruptcy; the economy was on the upturn and confidence was high; the stepping stones for future growth had been carefully laid.

Mr Alan Dukes, the Fine Gael leader (left) fought an effective campaign. Mr Desmond O'Malley, the PD's leader, has praised the way in which Mr Haughey has formed the government

In the event, local and not national issues dominated the election campaign. Mr Haughey and Fianna Fail were accused of being out of touch with the country. Cuts in the public health service, a long-running dispute about fishing licenses, pay in the armed forces – all these became serious problems for Fianna Fail. The Opposition, particularly Mr Alan Dukes, the Fine Gael leader, fought an effective campaign. The left found fertile electioneering ground among the urban working class. Fianna Fail lost seats, and now has 77 Dail deputies.

Mr Haughey talked of how difficult it was to gain an overall majority in Ireland's proportional representation electoral system. But the election result was a serious personal setback: five times Mr Haughey had gone to the country as Fianna Fail leader, and five times he had failed to gain a majority.

The Prime Minister seemed temporarily stunned by the election result, unwilling to face the awkwardness of his political position. He was forced to resign. Mr Haughey steadfastly refused to contemplate a coalition. "Coalitions just don't work. They can't give effective, decisive government," said Mr Haughey.

But eventually he was forced to face the inevitable. After arduous negotiations, Fianna Fail and the Progressive Democrats party agreed on a four-year programme for economic and social progress, and a new government came into being in mid July.

The complexion, if not the entire face of Irish politics, has changed. Fianna Fail has always seen itself as more a movement than a party, a broadly-based organisation capable of being all things to all men. It has seen itself as symbolising the spirit of the nation, the natural party of power. That has changed.

The Progressive Democrats, composed mostly of disenchanted former members of Fianna Fail, had a disastrous election and have only six Dail seats. But the PDs wrung considerable concessions from Fianna Fail, gaining two cabinet seats and being allowed a considerable input to government policy.

Fine Gael, which made modest election gains, says it will provide "constructive, thoughtful and vigorous opposition" in the new Dail. But the party is clearly biding its time, and will be watching for any signs of friction and splits between Fianna Fail and its new-found partner.

The left, in the shape of the Labour party and the Euro-communist-style Workers Party, saw its election vote rise to record levels, and now has more Dail deputies than at any time in the last 20 years.

Within Fianna Fail, there have been dark mutterings about the party's losing its way and about leadership mistakes. In particular, there is grass-roots anger that the PDs, seen by many as traitors to the Fianna Fail flag, have been allowed back into the party temple.

But Mr Haughey seems to have managed a tortuous balancing act, on one hand persuading doubters within Fianna Fail that party integrity will be maintained; on the other, pledging his "total commitment" to the new coalition.

The majority of the electorate seem relieved that, after a summer of uncertainty, a government is in place. First indications are that Fianna Fail and the PDs have agreed to bury their differences in face of the new political reality. Mr Haughey and Mr Desmond O'Malley, the PD's leader, who were till recently political enemies, have agreed on a new working relationship. Mr O'Malley has praised "the courage and skills" exhibited by Mr Haughey in forming the new government.

A comprehensive programme for economic and social progress has been drawn up to cover the next four years. A cabinet reshuffle produced no surprises. A degree of political stability has been established. But there is no doubting that things have changed. European-style coalition government could, from now on, be the order of the day. Irish politics is adapting to changing times.

THE EC PRESIDENCY

Pretenders in the limelight

IN CALLING a general election on June 15 this year, Mr Charles Haughey, the Prime Minister, was much influenced by the notion of securing a stable majority, to enjoy the world stage that would be available to him during the six-month presidency of the European Community's Council of Ministers, to be held by Ireland in the first half of next year.

In the event, Mr Haughey's Fianna Fail party lost vital seats in the Dail, the Irish parliament. He has now been forced into forming a coalition government with his long-standing political enemy, Mr Desmond O'Malley, the leader of the six-strong Progressive Democrats.

This compromise with Mr O'Malley has infuriated some members of Fianna Fail, and has led to speculation that the EC presidency will be Mr Haughey's last hurrah as prime minister and party leader.

However, Mr Haughey, the Houdini of Irish politics, should not be written off too readily. If, after the long summer vacation, he bounces back to form, he will use his considerable talents to effect during the EC presidency. The Prime Minister, frustrated in domestic politics, sees Europe as fertile territory for displaying his statesmanship.

Nonetheless, Mr Haughey's vulnerability is sensed by his cabinet colleagues, who are already said to be jockeying for the succession: they see the EC presidency as an opportunity to shine and attain the *gravitas* that will enhance their prime ministerial claims.

Foremost among the pretenders is Mr Albert Reynolds, the Minister for Finance. He will be in the front line of the Community's debate over the next phase of economic and monetary union.

At the same time, Mr Reynolds will have his own battle to secure the maximum financial gains from the EC structural funds, considered to be central to Ireland's continued economic recovery. An affable and popular politician, Mr Reynolds' performance will be closely scrutinised at home for evidence of managerial toughness.

Probably the best placed to exploit the EC presidency is Mr Gerry Collins, the Minister for Foreign Affairs, who will be anchorman in the Council of Ministers. He will be at Mr Haughey's side at European Council meetings. Cautious but perceptive, Mr Collins showed political flair as justice minister, and has been a key player in the Anglo-Irish Conference. A brief stint as foreign minister, in 1982, was clouded somewhat by the general *malaise* around that Fianna Fail government's performance.

Mr Michael O'Kennedy, the Minister for Agriculture and a former EC commissioner, is another contender for Fianna Fail's leadership. Mr O'Kennedy has been minister for finance and foreign affairs, and in a country still so dependent on farming, he is in a good position to appeal to rural constituencies. In recent months, Mr O'Kennedy has shed an altar-boy image, and is showing a new determination and a toughness which the grass-roots respect.

Interestingly, however, in rural areas, there is growing talk of a return from Brussels by Mr Ray MacSharry, the former minister for finance, who is now Commissioner for Agriculture and Rural Development. Had Mr MacSharry stayed in Irish politics, he would be the undoubted dauphin; having opted for Brussels, it would be difficult to engineer his expedient return to the chairmanship of the cabinet table in Dublin.

It is perhaps worth noting that, a decade ago when a Fianna Fail government last held the presidency of the Community, under Mr Jack Lynch, the six-month period proved to be his lap of honour. In the dying weeks of that presidency, Irish ministers abandoned European meetings for the power-struggle that brought Mr Haughey to the premiership.

Whatever the intensity of the internal rivalries, however, international attention will concentrate on how a small member state handles the conflicting interests of the bigger member states on the major economic and political issues that face the Community. Much of that agenda will be inherited from France, the current holder of the presidency; but it would seem that Ireland will take the presidential baton at a critical point of passage of the legislation necessary for the establishment of the EC's Internal Market. Another important legacy from Paris will be the state of play in the Intergovernmental Conference on Economic and Monetary Union that was agreed by the Madrid summit.

The present government's economic programme has been strongly influenced by Brussels, not least in fixing targets for national economic recovery. But in early August the European Commission disturbed the media's silly-season tranquility with its announcement that the amount earmarked for Ireland from the Structural Funds – the regional, social and farm modernisation grants so central to Ireland's public spending plans – would be I£3bn, rather than the I£3.7bn contained in the Government's calculations. The question of the "take" from Brussels has become a major domestic issue. But it is also an issue of wider interest within the EC.

Mr Haughey involved the Commission in the drafting of Ireland's National Development Plan for 1989-93. He said such direct involvement and co-operation by Brussels was unprecedented. Obviously, the Irish experiment could provide a precedent for more involvement by the Commission in the domestic policies of member states. On the Irish side, it ties the Commission into formal support for deploying its financial instruments to promote social and economic cohesion in a peripheral region of the Community.

With the political advance of the Greens in last June's European Parliament elections, the protection of the environment will figure prominently in Ireland's presidency, as will the European Parliament's call for more powers within the decision making process of the Community.

The Austrian application for membership should focus attention on the competing questions of an individual member state's espousal of neutrality and the collective commitment to European union that could involve defence obligations.

In short, the Irish presidency could be pivotal for the clarification, if not resolution, of important economic, monetary, and political matters that have faced the Community for more than a decade – at a time when a new political leadership is struggling to come to the fore inside Ireland.

John Cooney

Traditional Irish hand sees value of a tight fiscal belt

An amiable, relaxed politician, Albert Reynolds, has succeeded 'Mack the Knife' as Ireland's Minister of Finance. KIERAN COOKE talks to him about his plans for the economy

"WE ARE like a football team which has got its act together and pulled back a big lead. We can take heart from that, but we still have a long way to go to win out in the end. . ."

Mr Albert Reynolds has been Ireland's Minister for Finance since the departure of Mr Ray MacSharry for Brussels and the post of EC Commissioner for Agriculture at the end of last year.

While Mr MacSharry (nicknamed "Mack the Knife", for his two-year programme of economic cutbacks) had a reputation of being a tough operator with little time for social chit-chat, Mr Reynolds fits into the more traditional mould of Irish politicians, amiable and relaxed, and seemingly ready for a word with anyone.

But he is no less determined than his predecessor about the need for continued economic discipline and fiscal belt-tightening: "We don't want to destroy what we have achieved. I have to hold the line and make sure there is no hint of a return to the old days of spending way more than we earn."

The national debt of between I£24bn and I£25 bn is still eating up a very great amount of resources, says Mr Reynolds. "Debt servicing alone will be more than I£2bn in the current year — that's I£40 per week for every worker in the country."

□

He admits that one problem the Government faces is making sure consumer spending does not get out of control as a result of the general return of confidence in the economy. Already this year, consumer spending has gone up significantly. Car imports are on the rise. The central bank made it clear that one reason for a recent rise in interest rates was concern over an overheated property market, particularly in the Dublin area.

"We are confident that we can hold inflation below the 4 per cent mark by the end of the year, and we will also make sure that interest rates do not start rising to UK levels."

Mr Reynolds says that one of the most remarkable features of recent performance economy is that, in an economy which has traditionally been state-led, public expenditure has been reduced, while at the same time substantial growth has been achieved.

"We expect growth of 4 per cent this year, and there are hopes that the exchequer borrowing requirement, which was well into double figures two years ago, will be down to zero levels in the early 1990s."

The minister says the economy has gone through fundamental structural changes over the past two years. There is a withdrawal by the state; privatisation of several concerns is being actively investigated; there is far more capital investment in the economy.

"We have to have high imports, to continue to grow. You can see from the import statistics that companies are now investing in capital goods and plant. The foundation for long-term growth is there."

The next phase of Ireland's development is tied very closely to 1992 and the availability of EC structural funding. Mr Reynolds has come under strong criticism for being too ambitious about the amount of EC funds that will eventually be made available. The funds are vital for the development of Ireland's infrastructure, particularly its road system.

□

"Of course, we went in over the top to try and get funds. Other countries did the same thing. We estimate that about I£3.2bn will be available from Brussels, very close to our target figure."

Mr Reynolds, aged 53, has always been an optimist. He came to politics only a little over 10 years ago, having had a colourful career which included, among other things, running a string of dance halls and ballrooms, a pub, cabaret and a meat business. He now heads a pet-food company with a turnover of I£12m a year.

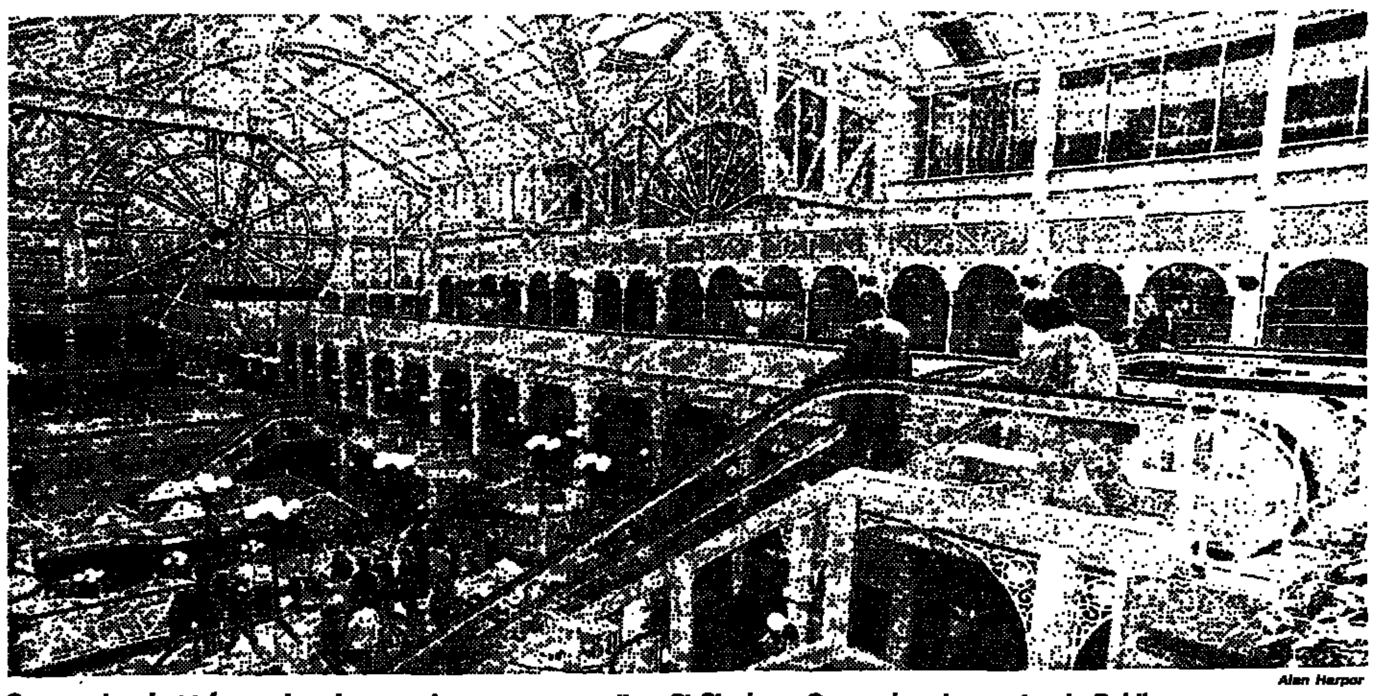
Mr Reynolds says he has a very businesslike approach to government, which is ultimately concerned with giving the best value for money and service to the taxpayer. One of his primary tasks now is to make sure that the economy grows steadily, and that previous stop-go cycles are not repeated. He wants medium-term plans and budgets, with more financial autonomy in each government ministry. More efficient management is essential, especially when it comes to looking after the national debt.

"If this was a business with I£24 bn in debts at stake, you'd have banks of people at screens managing the whole thing. We must have that here as well. We have to change attitudes, that's the most difficult thing."

Ireland's Minister for Finance is seen by some as a future prime minister. "I'm ambitious," he says. "Everyone is in politics. But I must admit I never expected to be minister for finance."

TRADE: although imports are up, forecasts are promising, reports **Kieran Cooke**

High-technology exports shape well



Alan Harper

Concern has been focused on increased consumer spending: St Stephens Green shopping centre, in Dublin

IN 1987, Ireland achieved its first balance of payments surplus in 20 years. The strong trading performance continues. Exports in 1988 were a record I£12bn, with a surplus of I£2bn.

Forecasts for 1989 indicate a year-end exports figure of I£14bn, though a rise in imports is likely to keep the trade surplus down to the I£2bn mark.

"It's looking good," says Mr Albert Reynolds, the Minister for Finance. "It proves that Ireland has become increasingly competitive and is well able to achieve big inroads into markets other than the traditional ones."

The UK remains Ireland's biggest single market. But there has been something of a turn-around in trading patterns across the Irish Sea recently. For the first time in 20 years, imports from the UK were worth less than exports last year. In 1988, Irish exports to the UK grew by 18 per cent. Exports to the UK were worth more than I£4bn, or 35 per cent of the total.

The food and agribusiness-related sector performed particularly well in its exports to the UK last year. Irish exporters benefited from the combined effects of a continuing consumer boom in Britain, especially in the early part of the year, plus the strength of sterling vis-à-vis the Irish punt.

This year, Irish exporters have continued to perform well in the UK, despite a slackening in consumer spending. However, some concern has been raised about the fall in the value of sterling, which could weaken the position of Irish exporters.

On the other hand, Ireland still imports large amounts of raw materials and plant equipment from the UK; and, as investment in industrial development and infrastructure increases, large sections of the economy will benefit from the sterling downturn. In the first three months of 1989, Ireland had a small trade deficit of I£69m with the UK.

Other export markets where Ireland has performed well recently are in continental Europe. EC countries (other than the UK) accounted for 39 per cent of Irish exports last year. Spain and Italy were particular growth markets for Irish exports. In the first three months of 1989, Ireland had a I£226m surplus with France.

The most notable rise in exports has occurred within Ireland's high-tech sector, which is dominated by the foreign multinationals. While profit repatriations, particularly evident in the last quarter of 1988, tend to limit the impact of this sector's export performance on the overall economy, indigenous high-tech firms have, in many cases, been outperforming the multinationals.

In the first quarter of 1989, manufacturing sector exports, both of traditional and high-tech goods, were worth I£2.3bn, compared with I£1.8 bn in the same period last year.

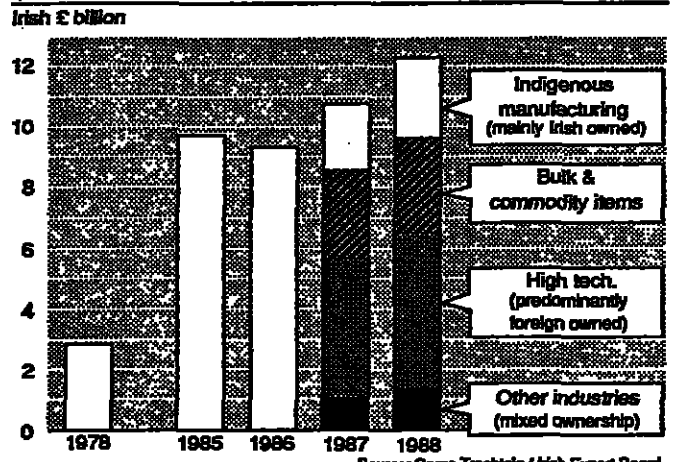
Overall, exports in the first quarter of 1989 rose by 22 per cent in value terms, compared with the same period last year, while rising by 16 per cent in volume terms. Imports in value terms have increased faster than exports this year: imports were 25 per cent above their first quarter 1988 level, and 14 per cent up in volume terms.

Concern has been focused on increased consumer spending, leading to a growth of imports. In the first four months of this year car imports were more than 50 per cent up on the same period in 1988.

However, this import surge has apparently now slowed. Of greater concern has been the growth in private capital outflows. A relaxation in exchange control regulations at the end of last year resulted in a total private capital and residual outflow of more than I£460m in the first quarter of 1989.

While officials say such outflows, causing a faster than expected drop in external reserves, are part of Ireland's adjustment to a more open and mature financial system, there is concern about a considerable outflow of capital continuing.

Ireland's exports



Source: Coras Trachtala / Irish Export Board

Destinations of Irish exports

	Value of exports to this country: 1988 (I£m)	% of Irish exports that this country buys	% increase: 1988 on 1987
UK	4,349	35.4	18.7
West Germany	1,368	11.1	13.8
France	1,120	9.1	12.6
Netherlands	860	7.0	10.5
Belgium & Luxembourg	546	4.4	6.4
Italy	464	3.8	18.3
Spain	209	1.7	27.5
Nordic area*	544	4.4	11.8
North America	1,070	8.7	13.4
Japan	237	1.9	31.0
Other markets	1,347	10.9	19.0

*Norway, Sweden, Denmark and Finland

Source: Coras Trachtala/Irish Export Board

Migrants leave a problem behind

Continued from page 1

above the EC average could soon be over.

When the Channel Tunnel is completed, Ireland will be the only EC country unconnected to the European continent. Mile for mile, the Irish Sea is one of the most expensive stretches of water in the world. Irish exporters often despair about what they consider to be the high costs and poor service out of the country's ports.

Other challenges are posed by 1992. Ireland is still a provincial society, the least cosmopolitan country in Europe. The level of language skills is even lower than in the UK. If Ireland is to join the European mainstream, things will have to change. Ireland's 17 per cent unemployment rate is still one of the highest in Europe. The Government is trying to tackle the problem, and many thousands of new jobs have been created. But unemployment seems likely to be a feature of Irish society for some time to come: even the most optimistic predictions have it coming down only marginally, to 12 per cent by 1993.

Unemployment is one of the main reasons for a return to the days of high emigration. It is estimated that, in each of the last three years, between 30,000 and 40,000 people have emigrated. While this may act as an economic and social safety valve, it creates potential long-term problems. Among those who emigrate are the brightest and best. In some communities, a complete generation seems to have disappeared.

The over-centralisation of government and a tendency towards concentration of economic power in the hands of a few individuals and companies are other issues that need to be urgently addressed.

There is no avoiding Ireland's many problems. The Government has gone about tackling the afflictions of the public finances with considerable zeal. Maintaining growth and creating long-term jobs is the next challenge. Irish people are traditionally cynical about their politicians. But if Mr Haughey and his new team achieve political stability and succeed with some of their more important policies, the begrudgers may be silenced — for a time, at least.

IT IS difficult to overstate the importance of food and agriculture in the Irish economy. It is estimated that the industry accounts for about 10 per cent of GNP and around 20 per cent of total exports.

Perhaps one person in seven in the labour force is involved in farming. So it is hardly surprising that the main home-produced TV soap-opera is set on a farm.

Agriculture in Ireland is primarily about grass. The country's temperate climate is ideal for pasture, and about 90 per cent of arable land is devoted to grazing. The two dominant farming activities are the production of milk and beef. Tillage farming is largely confined to barley and wheat. The only vegetable crop extensively grown is sugar beet.

Strange to relate, Ireland is a net importer of potatoes: the vegetables on your plate in a typical Dublin restaurant are as likely to have come from Holland or Cyprus as from an Irish farm.

Most farmers are owner-occupiers. The average size of holding is about 60 acres: farms tend to be very small in the west and considerably larger in the south and east. Holdings of several hundred acres, of the type common in England, are rare in the Irish context.

The dominant farming activities are milk and beef production

The EC looms large in Irish agriculture. Ireland became a full EC member in 1973, and this provided a huge boost to the industry. The support mechanisms of the Common Agricultural Policy allowed the industry to expand dramatically. In the first 15 years of membership, volume exports surged ahead as producers and processors took advantage of a bewildering variety of production aids and export refunds to boost output. Beef exports, for instance, grew from around 35,000 tonnes in 1972, to 10 times that level in 1987.

However, opportunities offered by EC membership were not fully exploited. Instead of securing new markets in Europe, many Irish processors were content to sell beef and dairy products into

The food industry in Ireland is going through its most exciting phase ever

Equity assists the big players' plans

Lovely — but her potatoes may not be Irish (*Moore Street market: Alan Harper*) Right: Mr Larry Goodman, the Irish food industry's most successful figure

the intervention storage system, leaving the Eurocrats in Brussels to sort out the problem of finding customers for mountains of beef and butter.

In the beef trade, in particular, many processors were attracted into subsidised sales to state trading agencies in the Middle East. The result was that vital links with the big supermarket chains in Europe were never made. For many companies, it is only now that belated efforts are being made to establish these trading relationships with Europe's retailers.

Substantial progress had been made on the marketing front in recent years. Several Irish processing companies are now supplying consumer foods to the main British retail chains, and a number are dealing with multiples on the continent.

The taxation system in Ireland continues to encourage the production of bulk commodity goods, rather than consumer-type products. Ireland may have a shortage of capital and a surplus of labour, but the tax system operates as if the reverse were the case: heavy personal taxation makes labour expensive to employers, while generous grants and capital allowances make it attractive to invest in capital equipment. The result is that Irish manufacturers often concentrate on the production of bulk commodities in large industrial complexes, and then export to Britain, sometimes to their own plants, for further processing and packaging.

The Irish food industry is going through its most exciting phase ever. Most of the major companies now have ambitious expansion plans. Access to equity from the stock market for the first time is enabling them to finance these ambitions. One result of this is a major process of concentration in the food industry domestically. Even small, farmer-owned milk co-operatives are now the subject of hotly-contested takeover battles.

Nowhere is the new dynamism more evident than in the appetite for foreign acquisitions. Several Irish food companies are in pursuit of foreign buys. Among the trail-blazers is Kerry Group, a I£275m diversified food business. Mr Denis Brosnan, Kerry's chief executive, and his team of senior managers have transformed Kerry from a small regional milk-processing company in the south-west of Ireland into an international food corporation.

Kerry's purchase of Beatreme Food Ingredients in the US last year, for $130m, established the company as the leading supplier of food ingredients to the US processing industry. Kerry is already well established in Britain — it bought the last of Unigate's beef interests in 1988 — and is now likely to turn its attention to continental Europe.

Other companies to move into the US this year were Avanmore Foods and Waterford Foods. Both made acquisitions in Wisconsin, America's dairy state, and these are seen as beacheads from which to launch further expansion.

The most enigmatic and successful figure in the Irish food industry is Mr Larry Goodman. Goodman International, his private company, operates a chain of plants in Britain and Ireland, and is one of the largest meat-processing companies in Europe. The company's profitability is not disclosed. Mr Goodman's achievement in building up his business in the last 20 years is remarkable, when it is considered that it was all done without recourse to external equity.

Goodman International has ventured into the public domain with the launch of Food Industries on the Irish Stock Exchange in 1988. The Goodman company controls 68 per cent of the equity in the company, whose main interests to date are malting and milk-processing in Ireland.

Food Industries is known to have ambitious plans to develop its business further. It holds an option over a 9 per cent stake in Unigate held by Mr Goodman, and this could be the springboard for major expansion into the British and European food markets. Mr Goodman also holds a 9 per cent equity in Berisford International, though Food Industries has no option on that stake.

It is only in the last three years that the stock market has begun to have any relevance to the food and agriculture industry in Ireland. Up to 1985, the total market capitalisation of the quoted food and agribusiness companies on the Dublin Stock Exchange was about I£50m: since then, this figure has mushroomed to over I£1.2bn.

Food is now a recognisable and distinct sector on the Irish market, and accounts for around 10 per cent of total capitalisation. In terms of stock-market flotations, the way was led by Kerry Group. In 1986, the farmer-owned co-operative transferred its assets into a newly-formed public company in which the financial institutions were invited to invest. The co-operative retains control of the company through the level of its shareholding, which has now been reduced to 60 per cent following a succession of share placings. The Kerry issue was a tremendous success. The shares were floated at 52p and are now trading at 185p.

This has encouraged others to follow the Kerry route. Both

The food sector now accounts for 10 per cent of capitalisation

Avonmore and Waterford came to the market in 1988, using a similar mechanism to Kerry, and other private food companies are also likely to seek quotations.

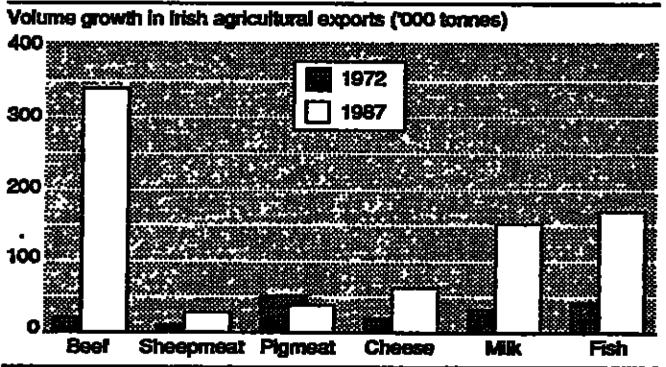
The food sector has been good for investors, but a major disappointment has been the lack of foreign interest in Irish food equities. In the coming years its likely that the more progressive Irish companies will raise money in the countries in which they do business. This could involve share issues in Britain, the US, or possibly continental Europe.

Maurice Roche

Head of Equity Research
Allied Irish Securities

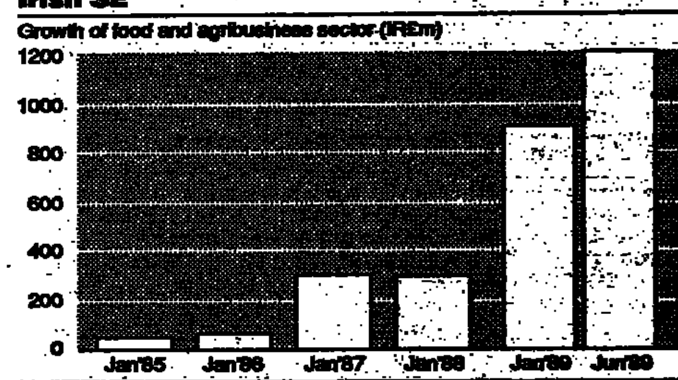
Fifteen years in Europe

Volume growth in Irish agricultural exports ('000 tonnes)



Irish SE

Growth of food and agribusiness sector (IR£m)



SPECIALIST INDUSTRIES: Aileen O'Toole on Ireland's advantages to overseas companies

International services are the new target

INCONGRUOUS as it may seem, the west of Ireland is helping in the effort to halt spiralling medical insurance costs in the US. Already two insurers have decided to locate there, and others are intrigued enough to investigate the advantages Ireland has to offer.

The processing of insurance claims may well become a new growth sector in the Irish economy, which has been fine-tuning its industrial promotion effort. There has been a growing trend towards specialisation, concentrating on those sectors where Ireland has competitive advantages.

The country has been particularly strong in attracting new electronics and pharmaceutical ventures, but a concerted campaign aims to acquire new investment under the "international services" banner.

For 15 months, New York Life has had an operation in Castleisland, County Kerry, where 50 local people are employed. In Loughrea, County Galway, Cigna has agreed to set up a claims processing centre, which should employ 120 by the end of 1990 and 500 at the end of a five-year development plan. Both companies have come to Ireland to reduce costs.

The American medical insurance industry has been rationalising its data processing facilities, in line with growing concern about cost inflation. Many insurers also suffer from high levels of labour turnover, because of the low unemployment rates in east-coast locations. The idea that they should place some data-processing functions offshore came from the New York office of Ireland's Industrial Development Authority. The IDA argued that there would be substantial savings (of at least 25 per cent), minimum disruption and an available pool of educated workers in Ireland.

US insurance claims are being sorted in Kerry and Galway

The claims are put on the overnight flight from New York and arrive at the processing centre by mid-morning. They are sorted and categorised by staff who have been trained to decipher medical terminology. They punch information into the insurer's computer and have a large input to the adjudication process.

By the time their American colleagues begin their morning's work, much of the processing has been completed. The time difference also means that the Irish operation is using down time on the company's computer.

With Irish unemployment standing at 230,000, 17.8 per cent of the workforce, there is no difficulty in hiring staff. This can come as a culture shock to some American companies more used to dealing in shortages of skills. When Travelers Corporation, the eighth largest insurance company in the US, decided to set up an applications software facility in Limerick, it sent details of the jobs by fax to third-level colleges and received more than 100 replies.

It is still too early to predict how much of an employment generator this new sector will become. A three-year government aim is to create 37,000 new jobs by the end of 1990.

Job creation is vital as the Irish economy continues to undergo fundamental changes. Ireland's move away from an agriculture-based economy has come much later than in other European countries, and there has been little native industry to compensate for the decline in agricultural employment.

Secondly, the country has been a victim of its demographic structure. Over half of its 3.5m population is under the age of 28, which means that the labour force of 1.3m is swelling each year.

The twin problems of unemployment and emigration continue to haunt the Government. A recent government survey found that, of the 66,500 pupils who left school in 1987, 12,400 (18.6 per cent) were unemployed a year later. Emigration, the scourge of Ireland in the 1950s, has returned. Some observers reckon that 10 per cent of the labour force has been lost in recent years through emigration.

The Government has been trying to turn the demographic dilemma to its advantage in marketing the country to overseas investors. The campaign to lure that investment began in the 1960s, and was considered internationally to be highly innovative. Around 900 foreign-owned companies, employing 80,000 people, have come to Ireland as part of the programme, which has altered considerably since it was launched. The marketing message has shifted away from emphasis on corporation tax holidays and non-refundable grants, which still exist but in a more modified form.

Investors are still attracted by the 10 per cent corporate tax rate, which runs to the year 2000, and by grants of up to 45 per cent of capital costs. But these benefits come with more onerous conditions than before. The campaign to attract investors now concentrates on the priority sectors of electronics/engineering, pharmaceuticals/chemicals and international services.

Why are companies in these sectors attracted to Ireland? A year ago, the first Japanese pharmaceutical company to establish a manufacturing unit in Europe commenced operations on the outskirts of Dublin. Yamanouchi spent I£33m on its new plant, which makes heart and anti-ulcer drugs. The evaluation process took two years, according to Mr Joe Harford, Yamanouchi's general manager, and was brought about by the company's wish to be closer to its European and American customers.

"Looking around Ireland, we were very impressed with the growth of the pharmaceutical industry here," he says. "It is easier for me to say who's *not* here from the US, rather than who is here."

Fourteen of the top 15 US pharmaceutical companies are in Ireland. Yamanouchi also cites the quality of people as a factor. Such is the parent company's satisfaction with its new Irish subsidiary, that it has sanctioned an I£10m expansion.

The pharmaceutical sector now employs 12,000 people in Ireland, which rates as the world's 15th largest exporter of pharmaceutical and chemical products. However, Ireland shares the European concern for the environment and, as elsewhere, this industry has been targeted. The Swiss company Sandoz proposes to build a I£200m plant in Cork, but has said it will only do so if it gets the blessing of the local people.

The build-up in the electronics sector has been impressive. In the early 1970s, there were 30 companies; now there are 400, employing 25,000 people. Apple sited its first overseas plant in Cork in 1980, and currently employs 400 permanent and 200 part-time staff. It has moved from final assembly to a more integrated operation, involving some research and development and close liaison with Apple's sales network in Europe.

The build-up in the electronics sector has been impressive

An I£40m expansion has been sanctioned recently, which Mr Padraic Allen, Apple's local managing director, says is a vote of confidence in Ireland as a manufacturing location. Like Mr Harford, at Yamanouchi, he mentions the impressive quality of the workforce as a key factor.

Other factors include the efficiency of the Irish telecommunications service. From having Europe's worst network in the late 1970s, Ireland now boasts that (with France) it has the EC's best-equipped system. This is a good selling point, particularly for international services projects.

Financial inducements are not given the same priority as in the past. Such is the competition for mobile investment that it is often wondered whether the grant packages offered by competing countries merely cancel each other out.

Ireland is not without its difficulties as an industrial location. There may be greater political and economic stability, but there is still annoyance at the personal taxation structure, which sees many wage-earners paying more than 50 per cent of their income in tax. There is a government commitment to reduce tax rates, but many employers would like to see more speedy progress.

There are those who argue that there are other factors which compensate for this high tax rate. Most continue to emphasise the availability of a young, enthusiastic and well-educated workforce as the key attraction for locating in Ireland.

THE IRISH stock market may be small but, in relation to the size of the Irish economy, it is fair-sized by European standards.

A table compiled by Eurobusiness magazine ranked stock markets by capitalisation, expressed as a percentage of their countries' gross domestic products.

The UK led the field, with London's market capitalisation of $625bn, equivalent to 78 per cent of GDP in 1988. But a similar calculation for Ireland would place Dublin exchange sixth among 13 European countries.

Last year, the $10bn capitalisation of the Irish market was equivalent to 37 per cent of GDP. This put the market among the relatively well-developed, such as Belgium and Holland, and well ahead of such as France (18.6 per cent) or Spain (20.3 per cent).

Yet, a few years ago, people might have been forgiven for giving up on the Dublin market. For 10 years, from 1976, no new company took a full listing on the exchange. The number of quoted companies fell by more than a quarter, from the 120 recorded in the early 1970s.

In the last four years, however, Dublin has been as lively as one could wish. The number of quoted companies is now almost 100, and looks set to rise to 1970s levels soon. Mr Tom Healy, general manager of the exchange, hopes that up to a dozen new entrants may arrive this year, most of them in the autumn, and sees the trend getting even better. Many of this year's entrants will be small, joining the unlisted securities market, but next year could net bigger ones.

The larger entrants are likely to be from the food industry. The major change on the Dublin market has been the transformation of leading dairy-farm co-operatives into listed companies. "The Irish food-processing industry and the stock market have discovered each other during the last two years," says Dr Maurice Roche, senior analyst with Allied Irish Securities.

The breakthrough was the arrival of Kerry Group in 1986. It devised a formula that allowed it to gain a market quote and institutional capital, while retaining voting control for its farmer-owners.

In January 1986, the combined value of food and agribusiness companies on the exchange was less than I£100m. Today it approaches I£1,000m; and other big dairy co-ops, worried about the demands of 1992, are looking at the stock market as a source of funds and acquisition opportunities.

Alan Harper

The Dublin Stock Exchange: bells and chalk twice daily

THE STOCK MARKET

Players rejoin a livelier game

The big excitement for analysts is a possible merger of the three major co-ops in Ireland's dairying heartland, Ballyclough, Golden Vale and Mitchelstown, followed by astock market flotation. Such a group would be capitalised at around I£250m.

For other companies, the phasing-out of export sales relief (ESR) from 1990 could be an incentive to go public. ESR exempted profits on exports from corporation tax, and was a major attraction for foreign firms coming to Ireland. But domestic companies also enjoyed it, and it allowed them access to cheap borrowings by, in effect, transfering their tax reliefs to the lending agencies. As the scheme comes to an end, equity capital may become more attractive.

During the year, the Irish Stock Exchange produced its own index, after years of discussion. There had been no "standard" index for Dublin, and leading stockbrokers and the newspapers all produced their own. But the ISEQ index, which was worked backwards to 1983, and has a base of 1,000 for January 4, 1988, looks like becoming the accepted measure of the market's performance.

It has been a lively performance so far. Dublin plunged more than most in the 1987 crash, but recovered strongly, with a 40 per cent gain in 1988. In July, the market regained its pre-crash levels.

It has been helped by the surge in Jefferson Smurfit shares. The group's planned re-structuring sent the index soaring. Smurfit accounts for 20 per cent of the entire market capitalisation.

It is this lack of size, and the dominance of a few major firms, which causes most concern about the exchange's longer-term prospects, despite present successes. One fear, especially with approach of 1992, is that major Irish companies are now vulnerable to takeover, which could mean their disappearance from the exchange. This has already happened to the whiskey company Irish Distillers. Although its shares are still quoted, it is now no more than a subsidiary of the French Pernod Ricard group.

Even bigger companies, such as Allied Irish Bank or Construction Materials Group CRH, are mentioned as possible targets. Their exit, or that of any like them, would leave a gaping hole in the stock market. Their best defence, perhaps, is that the same thought must occur to Irish fund managers, who still have to keep 80 per cent of their funds inIrish assets, and who need a reasonable supply of good equity stocks.

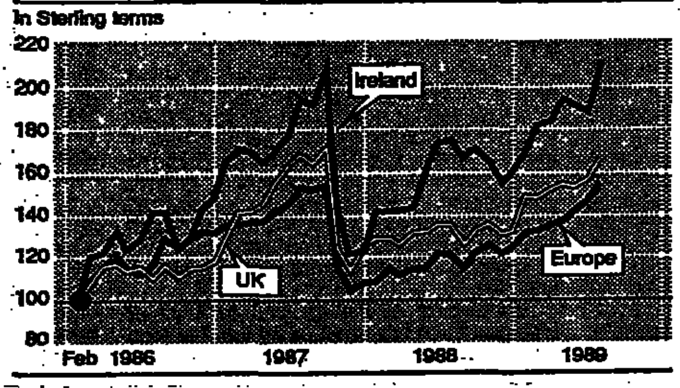
The exchange itself will have to work hard to remain relevant. A decision has been made to stay in the venerable building in Anglesea Street, which means spending a lot of money to repair the crumbling fabric. There is also a growing contrast between the handful of major stockbrokers, with their electronic dealing rooms, and the twice-daily ritual of bell-ringing and marking prices on the blackboard in the exchange. This arrangement suits the small, family-firm stockbrokers, but the whole set-up is increasingly seen as archaic by the big firms.

The four main firms, Davy, NCB, Goodbody James Capel and Riada, have been trying to increase their representation on the Stock Exchange Council, from the current third to something more in line with their 95 per cent dominance of the business transacted. Dublin may be part of the London stock exchange, but the last thing the authorities in Ireland want is that more of the business should be done in head office, as it were.

Brendan Keenan

FT-A World Indices

In Sterling terms



FINANCIAL SERVICES: **Brendan Keenan** on the call of Europe

Ucits and other new Customs

THE IRISH financial services industry is already feeling the sharp winds of 1992 and the single European market. The coming threats and opportunities galvanised the bureaucracy into something approaching a trot, with a burst of legislation.

Most significant, perhaps, was the passing of the EC Directive on Undertakings for Collective Investment in Transferable Securities (Ucits) into domestic law. This was seen as necessary, both to protect the domestic unit-linked fund business and to make the new financial services centre in Dublin's Custom House Dock attractive for unit trust operations.

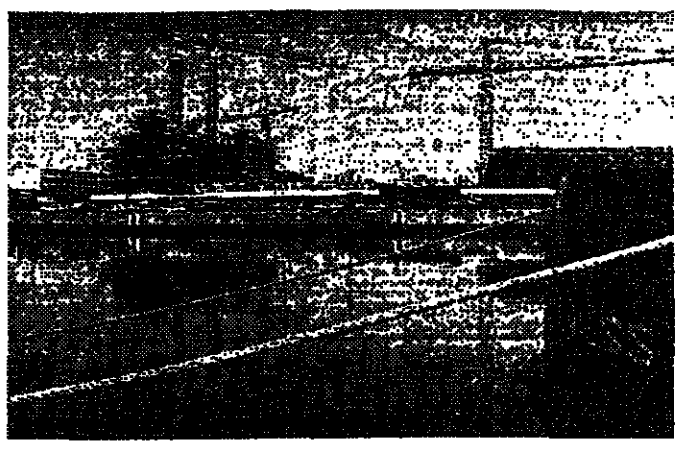
The proposals had already blown a hole in Ireland's remaining exchange controls. With the UK and Luxembourg having passed the Ucits directive, funds based in those countries can market their products in Ireland (or any other EC state).

Irish funds wanted not only the opportunity to do the same, especially in the UK market, but changes to make their own products competitive with foreign unit trusts. This required that taxation be levied on the investor and not, as before, on the fund itself. There would, after all, be no taxation on the foreign fund.

Despite the understandable reluctance of the Department of Finance to give up a guaranteed source of revenue for one thatis, to say the least, uncertain, the message got through, and the necessary changes were made. As for the Custom House, a zero tax rate was introduced for Ucits operations, in order to compete with Luxembourg as a location for such funds.

This compares with the general 10 per cent tax on activities in the Custom House Centre. The move was criticised by opposition politicians, who saw it as an admission that all was not well with the centre, and who queried the value to the economy of having such operations at all.

Ministers are vigorous in their defence of the Custom House. They point out that over 30 operations have already begun trading under the special licences which grant the low-tax and other incentives, and a further 40 are awaiting approval.



Work is well ahead on phase 1 of the Financial Services Centre

The Irish involvement in the centre has turned out to be bigger than many would have expected when the plan was first mooted, and the unit trust concessions were needed if Irish funds were to be established there for marketing in the EC.

Allied Irish Bank has taken the entire first block of the centre, which will measure over 100,000sq ft and be ready for occupation early next year.

The bank will carry out a whole range of activities there, from treasury management to foreign exchange dealing. This is a major boost for the developers, who include British Land, but means that other tenants will have to wait until further blocks are constructed before they can move on-site.

Bank of Ireland will also have a significant presence. Its subsidiary, Investment Bank of Ireland, which already runs successful unit funds from the Isle of Man, will establish four Ucits funds in the centre to sell in the EC, especially the UK. Ironically, products located in the centre cannot be sold to Irish residents.

Outside factors also played their part in the final appearances of the Central Bank and Building Societies bills, after many years in the legislative machinery. The bills were connected, although they were the responsibility of different ministries, in that the Building Societies Bill moved supervision of the societies from a registrar to the central bank.

The Bank's supervisory powers were also extended to areas such as money-broking and futures trading. The latter was timely, as Dublin has just acquired its first futures and options exchange. This was a brainchild of senior executives inthe stockbroking firm NCB, although it is an independent operation. The exchange, which is screen-based, trades in a 20-year Irish gilt future, interest rates, and an Irish punt/US dollar exchange-rate future.

The Irish Stock Exchange also has plans for a futures exchange, which would include equities; while a separate group of promoters still hopes to establish a foreign-currency and interest-rate futures exchange.

The legislators recognised the ingenuity of the financial services industry by allowing for the central bank's powers to be extended to new areas, without the need for further legislation.

There is also a scheme to protect small depositors in the event of the failure of a licensed deposit-taker.

The building societies legislation was modelled largely on that introduced in the UK. Indeed, the threat posed to Irish societies by the eventual opening up of the home market to their much larger British compatriots was a major spur to the legislation.

The major changes allowed the societies to raise funds on the wholesale market, and to offer personal loans not secured on property. The suggested maximum of 50 per cent funds from the market is higher than that in the UK legislation, while a proposal to allow societies to offer conveyancing services had no counterpart in the British Act. It remains to be seen how many Irish societies can take advantage of their new freedoms to turn themselves into competitive financial institutions.

The banks' decision, three years ago, to enter the mortgage business in a serious way devastated the societies' market share. And this was not done on price, because the banks charged more, but purely by offering a half-decent service to the customer for the first time. As the Environment Minister, Mr Padraig Flynn, put it, before introducing the Bill: "If I don't move, the building societies will have considerable difficulty retaining their market share — and even surviving." Some probably still will, and may end up being swallowed by UK societies when the market is opened up in the 1990s.

The insurance industry is to receive a derogation from the effects of the single market until the mid-1990s at least. But, mindful of the expensive rescues of Insurance Corporation of Ireland and the Private Motorists' Protection Association, the Government brought in a sweeping new Insurance Act.

This increases and clarifies the power of the industry minister to supervise the industry, and to order companies to take corrective action if he thinks all is not well. It also gives powers to limit the commissions paid to intermediaries — powers which were exercised recently, much to the chagrin of the insurance brokers.

As in UK legislation, there are stricter definitions of independent brokers, agents, and agents tied to a particular company. Customers have to be informed of the status of an intermediary, and can get their money back if the information is not provided; but the legislation is seen as more flexible than that passed in Britain.

The state-owned Irish Life, which is due for some form of privatisation, is the only wholly Irish insurance companyremaining. The question to be answered, when the derogations run out, is whether a separate industry can survive in a small market like Ireland, or whether it will be just a question of the branch office collecting the premiums.

TOURISM: the story is one of unrealised potential

Still an expensive country

IRELAND should be a holidaymaker's paradise. With its rich cultural heritage, easy pace of life and some of the most beautiful and unspoilt scenery in Europe, the country has many attractions for overseas visitors.

Yet, despite a recent upswing in visitor numbers, the story of the Irish tourist industry, worth over I£1bn to the economy last year, remains one of unrealised potential. Growth in visitor numbers, from 1,668,000 in 1981 to over 2.4m in 1988, has been modest compared with developments in many other European Community countries.

Tourism is Ireland's third-largest industry, after agriculture and manufacturing. It accounts for more than 5 per cent of gross national product, and employs an estimated 65,000 people.

In 1987, the Government set *Bord Failte*, the Irish Tourist Board, the twin targets of increasing tourism employment by 25,000 and doubling visitor numbers over the next five years.This means bringing 4.2m visitors a year to Ireland by 1993, a target requiring an annual growth rate of 15 per cent.

Tourism worldwide is expected to grow by less than 10 per cent in this period. Bord Failte says it is on course to reach the targets set by the Government. Last year saw an increase of almost 16 per cent in visitor numbers. This was due largely to Dublin's Millenium celebrations and a successful "write and invite" campaign, which involved over 100,000 Irish people sending information about holidays in Ireland to their friends overseas.

Although the number of visitors from North America and mainland Europe rose by only 5 per cent in 1988, there was an increase of over 20 per cent in tourists from Britain and the rest of the world. Figures for the first half of 1989 indicate that this growth rate will be sustained, with increases of up to 20 per cent in visitors from Germany and Australia expected.

There has been some dispute, however, over these statistics. Emigration from Ireland now runs at more than 30,000 per year. Many emigrants, particularly those working in Britain, return home for weekends to see their families and friends.

Critics of the tourist industry say these visitors can hardly be counted as tourists. But Bord Failte argues that the method of counting tourists is in line with international practices. And it says that the Irish abroad form one of the principal targets of its marketing campaigns.

Although marketing remains Bord Failte's most important task, recent efforts have also concentrated on ensuring that visitors who are attracted to Ireland are not disappointed during their stay. As the then minister for tourism, Mr John Wilson, said in May of this year, "the key element in the success of any industry is the quality and attractiveness of the product it is selling." In recent years, the product had come in for some criticism.

The standard of hotel accommodation and lack of all-weather facilities were often cause for complaint, while poor road conditions and inaccurate signposting in rural areas led many visitors on uncomfortable mystery tours. The tourist industry has now realised that elaborate brochures and advertisements cannot make up for these shortcomings.

Although the limited resources of local authorities means that infrastructural improvements are largely dependent on EC funding, major developments in accommodation and leisure facilities are now under way. Private sector investment in tourism is increasing, assisted by new incentives such as the Government's Business Expansion Scheme. New hotels are being built in Dublin for the first time in decades, while telecommunications have been upgraded to meet the increasingly sophisticated needs of business travellers.

Tourism is Ireland's third-largest industry, after agriculture and manufacturing

But some problems are proving more difficult to overcome. For the European tourist, Ireland is still an expensive country, while the ongoing violence in Northern Ireland deters many potential visitors.

For those tourists who come to Ireland to fish, the environment is not as healthy as it once was. Angling holidays, which account for some I£50m of revenue annually, have been seriously disrupted by a long-running dispute between the Government and local anglers. In January 1988, the Government introduced a new tax on fishing rods. Protestors, mainly in the west of Ireland, have since waged a "rod war" against the tax, which includes preventing some foreign anglers from fishing their waters.

Inland fishing has also been affected by a series of "fish kills" in lakes and rivers, due to agricultural pollution. Already this year, more than 40 such incidents have been reported.

Angling is one of the six basic "themes" under which Irish holidays have traditionally been marketed – the others are walking, cycling, equestrian sports, cruising and golf.

There will be an emphasis on new ventures such as agri-tourism, which involves visitors staying on rural farms and joining in the daily life of the local community. Bord Failte has also begun to work closely with travel agents and airlines to take advantage of low air fares and provide package tours to compete with those available in other European countries.

New promotions include exhibitions and trade fairs in Europe, and a television advertising campaign telling Americans that Ireland is "the ancient birthplace of good times". Although good times may be some way off, there is a new air of optimism in the Irish tourist industry.

"We have a hauntingly beautiful countryside, great sailing waters, an archaeological treasure house, and a very favourable environment for all kinds of outdoor sports and pastimes," says Mr Charles Haughey, the Prime Minister. "We have the basis for a major tourist industry, but it needs to be developed and enhanced. The rewards in jobs and foreign earnings can be enormous."

John Maher

The old and the grand

THERE is a bed in one Irish country house that is so high that a mounting block is provided for those unable to make the leap into the sheets.

One guest, having given the wine cellar a good run for its money, found the climb too much, and was found asleep under the bed in the morning.

In another grandly-furnished house, one might find oneself playing carpet croquet of a rainy afternoon or listening to risque stories concerning the antics of the local lady of the hunt and the groom.

Such experiences can be had for not much more than the cost of a good bed and breakfast or of a cheap hotel.

More than 30 country houses throughout Ireland have thrown open their doors to the common herd. The emphasis is on the old, the grand, the personal touch and sometimes, the peculiar.

"The Hidden Ireland" is the umbrella organisation for marketing the attractions of the various houses. Many of the homes have been in the family for five generations or more. Most are in country settings, complete with riding, fishing or golfing activities nearby.

Prices range from I£10 per person per night, bed and breakfast, up to the I£75 charged at a castle north of Dublin. (Staying with a lord or an earl tends to be more expensive).Dinners are also provided at costs very competitive to those of most Irish hotels, and usually greatly superior in terms of quality and service.

A well documented booklet is available on the houses in "The Hidden Ireland" group from the Secretary, The Hidden Ireland, PO Box 2281, Dublin 4, Ireland. Tel Dublin 686463.

Kieran Cooke

Skill restores Cork's buoyancy

■ Power is still based in Dublin, but some regions have developed rapidly. KIERAN COOKE looks at two areas which have suffered the combined effects of industrial decline and emigration but are now experiencing new growth

ALTHOUGH IT has a population of under 150,000, Cork has always been one of the main centres of Ireland's commercial life.

Built largely on reclaimed marshlands, its canals and waterways were once busy thoroughfares of merchant life, the harbour crammed with merchant and passenger ships. The main merchant families, who called themselves, in Venetian style, "the merchant princes", once had great authority in the city. Their descendants still have considerable influence.

In recent years Cork, a proud and some would say intensely provincial city, has suffered some serious blows. In 1984, the city lost, in quick succession, three of its main industries.

The Ford car assembly plant (Henry Ford's family were originally from Cork) closed with the loss of more than 1,000 jobs. Another 700 jobs went with the closure of the city's Dunlop tyre factory. Then the Verolme Cork Dockyard closed, and hundreds more jobs were lost.

The effect on the city was devastating. Many people left, fearing that they could never find work in the area again. But something of a revival has taken place in the last few years. This has been centred, for the most part, on the electronics, information technology and pharmaceutical industries.

Mr John McSweeney, regional head of the Industrial Development Authority, the government body responsible for promoting inward investment, says Cork's facilities, including its international airport and deep-water harbour, are big attractions for the new industries. "But the main reason why companies are coming here is the availability of skilled people, products of the city's two university-type institutions," he says.

More than 3,000 people are now employed in the electronics sector in Cork. Companies like the US Apple Computer group are increasing investment in the city. Apple recently announced an I£48m expansion programme at what is its only European manufacturing base.

Pharmaceutical companies, like Pfizer, SmithKline Beckman and Schering Plough, have set up in the region. Merrell Dow and Sandoz have expressed interest in establishing plants in the area. The Cork region is now the centre for more than 90 per cent of Ireland's chemical industry.

Mr Pat Dowd, county manager in the Cork area, says that much remains to be done to develop infrastructure: "Cork is the jumping-off point for places like Killarney and Kerry. But our road system is still inadequate and must be improved to encourage more tourism."

Mr Dowd says that, with planning applications rapidly increasing, it is clear that there is substantial growth in the region. Cork harbour has handled record volumes of tonnage in each of the last three years, and last year had a throughput of 5.4m tonnes, second only to Dublin's 6.5m tonnes.

Traffic at Cork airport has mirrored increases elsewhere in Ireland. A big investment plan is being put into place, to encourage more direct European and US flights.

But there are some negative factors. Many of those who lost their jobs when Cork's heavy industry closed are still unemployed or have moved elsewhere. The newly-arrived industries tend to recruit only young workers. Cork has jobless blackspots where unemployment is well over 50 per cent. The arrival of the chemical companies has created pollution and environmental problems.

Many people are concerned about the damage which might be caused by the concentration of such industries in one area. Merrell Dow is facing strong opposition to its planned facility. Cork's ferry service with Swansea closed recently, because of financial problems. While it is likely to be re-opened next year, its absence has been a blow to the city.

But even Cork's strongest critics admit that there is new life in the city, and that the pessimism which followed the closure of factories and plants has given way to a new sense of optimism.

New patterns woven in Donegal

PEOPLE in Dublin view Donegal as not merely a remote county many miles away, but almost as if it were another world.

Mr Willy McCarter is used to people asking him how he can do business in such an area. "Donegal might seem a long way away to people sitting in Dublin, but once you are in the county you see the sense of doing business here."

Mr McCarter should know. He now runs Europe's biggest tee-shirt and sweat-shirt manufacturing enterprise, at Buncrana, on the Inishowen peninsula, the most northerly part of the the island of Ireland.

At present, the McCarter factories employ more than 1,500 people. By 1992, that figure is expected to rise to more than 2,500, which will make the firm by far the biggest manufacturing concern in Ireland.

"This part of the country has a considerable industrial tradition, built on the shirt, underwear and tweed industries," says Mr McCarter.

McCarters was once a family business involved in underwear manufacture. The big change came three years ago, when a joint venture was formed with Fruit of the Loom, of the US, the world's largest tee-shirt-making company. Fruit of the Loom and McCarters, with the assistance of the IDA, have invested in a multi million dollar expansion programme. By the early 1990s, McCarter's hopes to be producing up to 1.8m tee-shirts each week.

"This is Fruit of the Loom's only manufacturing facility outside the US. We import the yarns from North Carolina and Alabama, and do all the knitting, bleaching, dying and cutting here. We can ship out goods through Larne, which is only two hours away, or Belfast, only just over an hour away,"says Mr McCarter.

The success of McCarter's has caused a small revolution in parts of County Donegal. The area has always been an area of high emigration. Donegal people, known as hard workers and often with levels of skills not present elsewhere in Ireland, were forced to look for jobs in Britain or the US. McCarters is now having to look outside its immediate area, and even outside the county for workers.

A number of satellite factories are being set up in other parts of the county. But Donegal, with a population of only 130,000 still has unemployment (25 per cent) problems. There are many who feel that the county has been badly treated by central government. While a few have benefited from smuggling between Northern Ireland and the Republic, Donegal's economy has at times been severely affected by border troubles.

Resentment of Dublin and feelings of isolation have been fuelled by what is seen as central government's reluctance to invest in its most northerly county. The road system is still inadequate. County Donegal was deprived of its entire railway system in the late 1950s. There is no university in the county.

Mr Barry Condron, the Industrial Development Authority's regional manager, feels that things are changing for the better. More people are realising that access to Northern Ireland's air and sea facilities is a big plus. The success of McCarters' tie up with Fruit of the Loom, won against considerable competition from other countries, is encouraging other investors to look at the County.

"A major road project will soon be completed between Letterkenny, in Donegal, and Derry across the border. That will make any potential exporter's job that much easier," says Mr Condron. "As well as the more traditional clothing sectors, we are now attracting investment from health care companies, and we hope for electronics investments soon."

Fish farming is being developed. There are plans for large-scale investments in Killybegs, Ireland's largest fishing port, which is in the county. The tourism potential of Donegal is still largely untapped. Each year, thousands of visitors cross the border from Northern Ireland, but others, even within the Republic, have yet to discover the haunting beauties of Donegal. •

INSIDE

Eagle Trust under investigation

Eagle Trust, the UK miniconglomerate, called in the Department of Trade and Industry to investigate its affairs last week. The investigation follows a series of resignations at the group, changes in financial advisers and financial problems at subsidiaries. Philip Coggan and Richard Tomkins examine the background of Eagle and of Mr John Ferriday and Mr Richard Smith, two of the key executives during the group's troubled stock market career. Page 24

Fisherfolk's tales

Salmon farmers in Norway and Scotland, until a year or so ago the confident pioneers of a rapidly growing industry, are an unhappy bunch these days. Norway's production has soared and the price of farmed salmon has collapsed, sending many businesses bankrupt. And Europeans just do not eat enough of the stuff — last year EC consumption was 100,000 tonnes, whereas Norway alone expects to produce around 150,000 tonnes this year. Many farmers in both Scotland and Norway are selling at or below their production costs, and farms on both shores are going to the wall. Page 28

A hard look at buy-outs

Michael Milken (left) helped to make leveraged buy-outs famous — or infamous, depending on your point of view. His downfall has not stopped them happening — in the last few months a tidal wave of LBOs, takeover bids and financial restructuring proposals has washed from Wall Street to the City of London and back. But the recent leveraged transactions and proposals have blurred the distinctions between LBOs and takeovers, between hostile raids and deals led by managers, between LBOs designed to achieve operational objectives and refinancings arranged solely to take money out of asset-rich firms. FT reporters take a look at the big business of leverage. Page 18

Turkish delight

Istanbul's tiny stock exchange is optimistic that it will soon put its erratic performance of the past three years behind it. Turkish confidence rests on a package of measures announced by the Prime Minister this month, including a move to allow foreigners to purchase Turkish stocks and bonds freely, with guaranteed repatriation of the proceeds. There are still doubts about the extent of external demand for Turkish equity, but some analysts predict that the trickle of interest will become a river. Page 38

Securities watchdog born

Legislation setting up the Australian Securities Commission (ASC) was finally passed in May, a year after being introduced and 15 years after a parliamentary committee first recommended it. But its birth could cause fireworks. The biggest conflict involves the federal Government in Canberra and four states, which are challenging the constitutional validity of Canberra's power to legislate in this area. And in a separate piece of traditional Australian combat, New South Wales is also campaigning against Melbourne to have the commission located in Sydney. At the centre of it all is Mr Tony Hartnell, the chairman of the new body — and a Sydney man. Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Moolpak	143.8	+	10.4
Rises				Darrart SA	3840	+	256
Lufthansa	189.8	+	3.8	Skis Ross	1300	+	85.3
MAN	352	+	5.7	**Falls**			
Veba	351	+	3.8	Cetelem	675	−	19.4
BASF	301	+	3.4	Grp Victoire	1800	−	45.6
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Eastman Kodak	50⅞	+	½	N'pon Crucible	1340	+	120
Ericsson (LM)	114⅞	+	11⅛	Yamanashi Chuo	1410	+	110
Holiday Corp	84⅞	+	7⅞	Fuso Ind Work	2170	+	180
Int Flav&Frag	69	+	5	**Falls**			
Int Mins&Chem	54⅜	+	1⅜	Yokkaichi Whse	1150	−	70
Prime Mtr Inns	37	+	1½	Toyo Radiator	1520	−	90
PARIS (FFr)				Miyata Ind	1510	−	80
Rises							
Bon Marche	1020	+	136				

New York prices at 12.30.

LONDON (Pence)				Smith (WH) A	344	+	10
Rises				Sun Life	1073	+	25
Abbey National	151½	+	4	Whitbread A	396	+	9
Barclays	553½	+	19½	**Falls**			
Beresford Intl	187	+	7	Ang Sec Homes	123	−	17
Capital Radio	915	+	21	Bass	1104	−	43
Gen Accident	1035	+	19	Cable & Wire	580	−	8
GUS A	1179	+	22	McAlpine (A)	365	−	14
Macallan-Glen	320	+	40	McCarthy&Stone	126	−	12
NatWest Bank	355	+	10	Miller (S)	292	−	17
Parkfield	473	+	28	Redland	76	−	13
Portland Grp	82	+	7	Tate & Lyle	280	−	9
Rothmans B	678	+	8				
Royal Bk Scot	455	+	15				
Royal Ins	455	+	12				

Ericsson and GE in mobile phone venture

By Robert Taylor in Stockholm and Hugo Dixon in London

ERICSSON of Sweden and General Electric of the US announced yesterday that they have joined forces to make an attack on the world's fast-growing mobile phone market.

Ericsson, which is already the world's largest producer of switches, base stations and software for cellular networks is pooling about half its mobile communications interests with all GE's activities in the area. The venture will be owned 60 per cent by Ericsson and 40 per cent by GE, and hopes to have sales of $1bn next year.

The main focus of the venture will be on capturing a large share of the world's cellular handset business, which is thought to be worth $2bn a year and is growing at an annual rate of about 30 per cent. The venture also expects to make a big push in private mobile radio, a form of mobile communications used by taxis and other fleets of vehicles.

Ericsson has only about 3 per cent of the cellular handset market, much lower than Motorola of the US, its arch-rival. It needs to build up volumes if it is to enjoy the benefit of economies of scale in what is rapidly becoming a mass market. It's main competitors include Panasonic and NEC of Japan and Nokia of Finland.

The Swedish group hopes the link with GE, which also has a small share of the handset market, will help it achieve this aim. It is particularly attracted by the US company's distribution channels and established brand name in North America.

The enterprise, to be named Ericsson-GE Mobile Communications, will be based in the US. It will start with 4,750 employees and the Swedish group will provide its president and chairman.

Ericsson is putting into the venture its entire cellular handset business and all its activities in voice and data communications for private mobile radio. It is also including its North American cellular infrastructure business, which has about 25 per cent of the market there.

These businesses, which are highly profitable, had total sales of about SKr2.4bn ($480m) last year. That figure is expected to be substantially higher this year, because Ericsson's mobile communications sales have grown by 50 per cent over the past 12 months.

The Swedish company is not including in the venture its cellular infrastructure business outside North America or any of its paging or military communications activities. These businesses, which are about the same size as those included in the new enterprise, will continue to be owned 100 per cent by Ericsson.

GE is putting into the new company the whole of its worldwide mobile radio and cellular telephone equipment activities based at Lynchburg, Virginia with sales last year of between $300m and $400m. This is a tiny part of GE which as America's third biggest company had a turnover of $50.9bn last year.

Mr Lars Ramqvist, Ericsson's executive vice president in charge of radio communications, said the combined resources of the two companies would provide "the financial depth and resources" to compete with Motorola. Mr Eugene Murphy, a GE senior vice president, said the enterprise would be "an excellent fit combining GE's manufacturing and distribution in North American markets with Ericsson's European market strength and world leadership in digital cellular technology."

The Swedish group also announced yesterday a substantial growth in earnings. Its profits (after financial items) rose in the first six months of the year to SKr1.792bn from SKr732m and Mr Bjorn Svedberg, the chief executive, said that the results vindicated Ericsson's strategy of concentration of its core communications business and long-term investments. Sales in the first six months were up by 31 per cent on the same period of last year to SKr17.892bn from SKr13.607bn.

Mr Svedberg said that Ericsson was on course for a profit before appropriations and taxes "in excess of SKr3bn" — thanks to a "positive trend in order bookings and the ongoing rationalisation programmes".

Lex, Page 16

Holiday package for British brewer

David Churchill on Bass's US acquisition

WHEN Kemmons Wilson opened the first Holiday Inn in Memphis, Tennessee, in 1952 he could hardly have believed that not only would his modest venture eventually become the world's largest hotel group but also that it would eventually end up in the hands of a British brewer.

Yesterday, however, Bass surprised the City with a $2bn agreed takeover of the Holiday Inns operation in the US, to add to the Holiday Inns hotels worldwide most of which it acquired in 1987.

For Bass the deal represents a strategic move away from the turmoils of the UK brewing business: Holiday Corporation, parent company of the hotel operation, has a chance to wipe out almost $2bn of debt and to concentrate instead on its casinos and other, mainly hotel, interests.

The Bass move also underscores the central role that UK-based companies are playing in the global re-structuring of the hotel sector. After decades in which US-owned chain hotels came to dominate the worldwide market, their hegemony has been broken in the late 1980s by a series of deals involving British and other non-US companies.

It was the Ladbroke Group in 1987 which spearheaded the recent moves with a £645m ($1013m) deal to acquire the Hilton International name and hotels outside the US. Bass followed suit the same year by acquiring most of the Holiday Inn hotels outside the US for $290m, mopping up the remainder in subsequent deals. The latest — prior to yesterday's move — was earlier this year when it paid £142m for 32 franchised Holiday Inns in Canada.

The restructuring in the industry is not simply a result of expansion by British based groups however. Grand Metropolitan, the UK brewing and leisure group, last year decided to pull out of the international hotel business and sold the Inter-Continental chain to the Japanese conglomerate Seibu Saison (which subsequently sold off a 40 per cent stake to Scandinavian Airline Systems).

Further evidence of the expansion of hotel companies based in the Far East came in April of this year when Ramada, the world's third largest hotel group, was sold for $540m to New World Development, a Hong Kong Real Estate developer. In addition two Far East based market chains — the Mandarin Oriental Hotels Group and the Regent International group — are aggressively looking towards the US and Europe for further expansion.

The upheavals in the world hotel industry, seem far from over. Hilton Hotels in the US (separate from the Hilton International hotels owned by Ladbroke) has been making it clear for some weeks that it is open to offers, probably of around $3bn. Unfortunately for Hilton, its discreet approach was a little too subtle, forcing it to announce recently that it would actively canvass a suitable bidder.

The reason for the global scramble for top-class hotel brands in recent years is simple: business and leisure travel is growing steadily after several years of economic growth not only in the US but worldwide.

International tourism, for example, is forecast by the World Tourism Organisation to grow by about 4 per cent a year until the end of the century. Even if only this rather conservative estimate is achieved it represents a doubling in the numbers of international travellers over the last two decades of the twentieth century.

Hotel operators see the buoyancy in demand for hotel accommodation being boosted by such factors as the continued deregulation of international airline routes and the significant increase in airline capacity as new fleets of aircraft come on stream. Similarly, the emergence of new markets — such as the Japanese who are being encouraged by their government to travel abroad — is helping keep demand strong.

Yet the US market still remains the most important in the world — the 3m hotel rooms spread across the US, for example, represent ten times the total rooms available in the UK.

Hotel analysts believe that one of the main reasons why US hotel groups such as Holiday Inns, Ramada, and Hilton have seemingly failed to capitalise on the US market's full potential lies in the complex US tax breaks offered in the early 1980s which encouraged investment in hotel rooms but not ownership of the assets. Thus most US hotels tend to be franchised or managed hotels rather than actually owned by the operator itself.

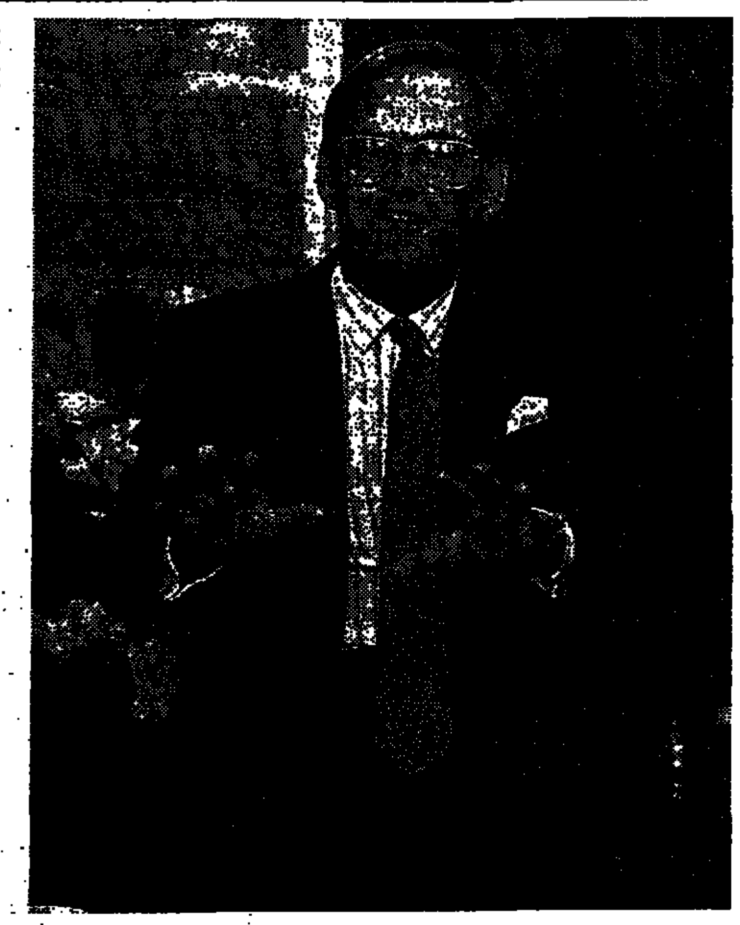
This led to an over-supply of hotel rooms in the mid-1980s and a slump in occupancy rates: the industry average at 62 per cent is some 5 per cent below the historical norm for US hotels.

In contrast, most European and Far East hotel groups — especially the UK's Trusthouse Forte group — prefer to retain ownership of hotels as far as possible since they believe this gives greater commitment and control than the US approach. Those US chains which have proved more successful than others, moreover, have been the Marriott and Hyatt groups: the common denominator has been strong family-controlled management.

The crucial question for some fairly sceptical City analysts yesterday — Bass shares closed 43p down on the day at £11.04 — was whether Bass has the ability to succeed in rejuvenating the Holiday Inn image and get a return for its investment.

Ian Prosser, Bass's chairman, made it clear yesterday that Bass was buying the brand name as much as anything else. "We have great confidence in the brand's future and we believe that further improvements in quality will provide even more opportunity for profit growth," he said.

But there was no masking his jubilation yesterday at achieving his important strategic objective of size in international markets. "It's not every day you become the world's number one in such a large-scale market as hotels," he says gleefully.



Ian Prosser: 'not every day you become number one'

Interest costs cut profit growth at News Corporation

By Chris Sherwell and Ray Bashford

A 61 PER CENT surge in interest costs towards the A$1bn (US$763m) mark and a plunge in foreign exchange trading gains have sharply reduced the growth in profits of Mr Rupert Murdoch's News Corporation, in spite of a 31 per cent jump in revenues.

Figures released yesterday for the year to June gave the multinational press and broadcasting group an operating profit before extraordinary items of A$496.5m, up by under 7 per cent from the previous A$464.5m.

Its venture into UK satellite television broadcasting resulted in a loss of £75m (US$117m) in the five months following the launch of Sky Television last February.

However, the Sky loss has been deferred and will be written off over the coming five years to 1994.

The increase in borrowings lifted interest charges to A$935m from A$580m.

The higher financing charges stemmed from the US$2.85bn purchase of Triangle Publications in the US, publisher of TV Guide, the Daily Racing Form and Seventeen magazine.

Combined with a drop in exchange gains to A$33m from A$86m, the higher interest charges helped to lower a pre-interest income of A$1.45bn (up 47 per cent) to a pre-tax profit of A$640m. Sales revenues rose 31 per cent to A$7.88bn.

There was an extraordinary gain of A$687m, mainly from the sale of trade publications to Reed International of the UK.

A breakdown of the results showed that:

- In the UK, sales were little changed at A$1.7bn, while operating income before interest rose to A$404m from A$370m. Aside from the difficult Sky start-up, its British newspaper division showed "considerable strength in a very competitive environment."
- US revenues climbed to A$3.76bn from A$2.54bn and operating income before interest soared to A$608m from A$375m. The result includes an eight-month contribution from the Triangle acquisitions, but the group said that Fox Broadcasting finished with a "very small loss."
- In Australasia, buoyant conditions meant improved revenues, rising to A$2.4bn from A$1.8bn, and operating income before interest increased sharply to A$439m from A$240m. Australian newspapers and magazines showed healthy profits, while the Hong Kong-based South China Morning Post achieved record results.

In its announcement, News Corporation did not mention Media Partners International, the investment group being formed by Mr Murdoch.

The group declared a final dividend of 5 cents to make 10 cents for the year, up 1 cent. Ahead of the news, its shares finished steady at A$17.30.

Lex, Page 16; Sky Television losses, Page 19

Marley chief warns on profits

By Andrew Taylor, in London

SALES OF building materials in the UK have fallen sharply since the end of May as the outlook for British housebuilding has worsened Mr George Russell, chief executive of Marley, the diversified building products group, said yesterday.

Mr Russell's comments came as he disclosed that the company's pre-tax profits rose only £150,000 ($240,000) to £34.32m during the six months to the end of June. Turnover rose from £281.33m to £314.48m

He added that Marley's profits would dip this year unless interest rates fell and prospects for housebuilding improved.

It was the strongest warning yet of how the big fall in UK housebuilding is hitting building material suppliers. Several brick companies, including Nottingham Brick owned by Marley, have recently announced redundancies and kiln closures in response to falling sales.

Marley manufactures roof tiles, concrete blocks, flooring, plumbing and plastic building products as well as bricks. Up to 70 per cent of its UK building materials are sold for house building or housing refurbishment, including DIY sales.

The company said a fall in housebuilding had been expected, but not the level of deterioration that had occurred in the refurbishment market in the last couple of months.

Marley's figures come at the beginning of the interim results season for British construction companies. Other large building material suppliers and contractors due to report in the next three weeks include RMC, Steetley, Bryant and Amec.

Profits from Marley's overseas operations increased by about 16 per cent to £7.56m in the first half. The improvement was despite lower profits from US brick operations, affected by a downturn in US housebuilding.

The company also manufactures concrete roof tiles in the US and plastic building components in South Africa, Germany and New Zealand. It makes flooring in South Africa and has a small but profitable clay roof tiles business in France.

The third arm of Marley, its UK automotive component manufacturing business, is still in its infancy. A delay in launching a new car, for which Marley is to supply instrument panels, meant that automotive profits fell from £2.5m to £1.6m in the first half.

The interim dividend was maintained at 2.1p.

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Competition in US hits Honda

By Ian Rodger in Tokyo

CONSOLIDATED net profit of Honda Motor, Japan's third largest motor group, tumbled 41.6 per cent to Y15.1bn ($107m) in the three months to June, mainly because of increased selling expenses in the US and a surge in the activity of the group's Japanese finance subsidiary.

Consolidated sales rose 2.8 per cent to Y919.4bn as unit sales of cars offset declines in other sectors, including motorcycles, power products and parts.

Honda said its operating income dropped 16.9 per cent to Y40.3bn, mainly because fierce competitive conditions in the soft US market obliged it to increase dealer support measures. Also, the depreciation expense was higher following the expansion of its Ohio engine plant.

Pre-tax profit dropped 40 per cent to Y28.4bn due to foreign exchange losses and higher interest charges following the consolidation of finance subsidiaries. Honda Finance, the group's Japanese finance subsidiary, was rapidly expanding its loans during the period.

Automobile revenue rose 10 per cent to Y667.9bn reflecting growth in unit sales in both the Japanese and overseas markets. Total units reached 495,000 compared with 468,000 in the April-June quarter of last year. Revenue from motorcycle sales dropped 17.9 per cent to Y92.5bn as sales of 50cc scooters slumped in Japan following the introduction of a 3 per cent sales tax in April.

Honda has not made a specific profit forecast for the full year, but company officials say that the second quarter is likely to see a continuation of first quarter trends while second-half net profits should match last year's Y48.7bn.

The introduction of a new Accord should enhance margins in the US while the start-up of a third assembly line at the Suzuka plant should ease supply shortages in the buoyant Japanese market.

Unlocking the value of latent assets

IN THE last few months a tidal wave of leveraged buy-outs, takeover bids and financial restructuring proposals has washed from Wall Street to the City of London and back again.

There have been Sir James Goldsmith's bid for BAT Industries, the LBO battle over the future of Gateway, Britain's third largest supermarket group, the various leveraged restructurings proposed by British Airways among others for the parent company of United Airlines, UAL.

These and a host of other deals suggest that the worldwide LBO movement may not have reached its climax, despite the gargantuan $25bn acquisition of RJR Nabisco by Kohlberg Kravis Roberts and the growing number of financial casualties from leveraged transactions in the US.

While RJR overcame the barrier of size, the latest wave of LBOs has swept numerous other obstacles before it — from Britain's cautious outlook on leverage to the longstanding belief that companies in cyclical industries like airlines would not be suitable candidates for LBOs.

Just as importantly, the recent leveraged transactions and proposals have blurred the distinctions between LBOs and takeovers, between hostile raids and deals led by managers, between LBOs designed to achieve operational objectives and refinancings arranged solely to take money out of asset-rich firms.

As a result of this blurring, the questions that need to be asked about the whole LBO movement today are not the same as they were a few years ago.

All LBOs and leveraged restructurings have been motivated by some combination of three fundamental objectives - to sharpen management, to increase returns on equity by using financial leverage, and to liquidate declining businesses by pre-empting their excess cash flows.

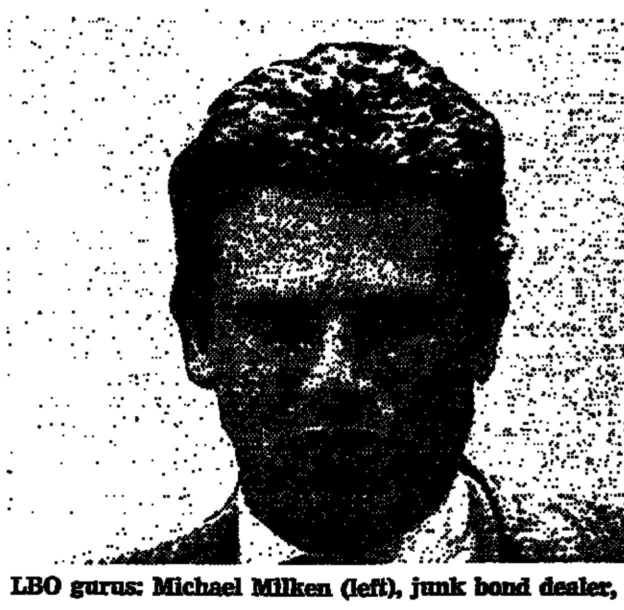
It was the first of these that the early LBO sponsors invariably stressed - and with some justification.

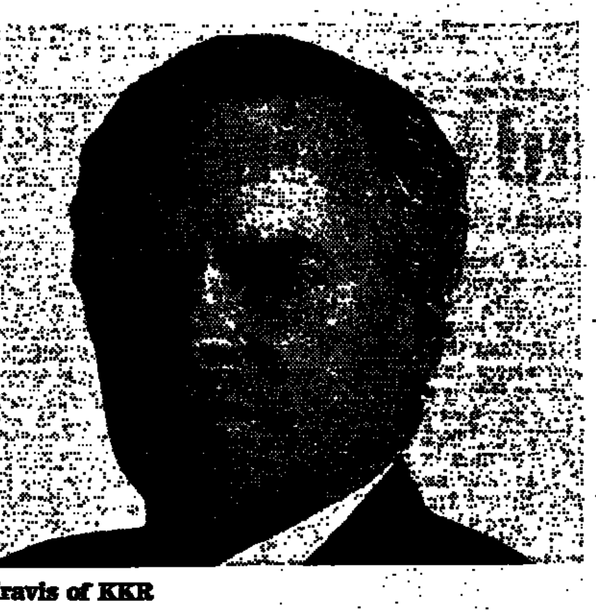
But this aspect of the traditional LBOs is far less relevant in the huge buy-outs that dominate the headlines today. Many of these have little or no managerial justification.

If BTR, the UK-based conglomerate in which Kohlberg Kravis Roberts has taken a strategic stake, turned out to be a buy-out candidate, it would not be for managerial reasons. Sir Owen Green, BTR's chairman, was acknowledged around the world as a master juggler of corporate assets many years before KKR was even formed.

The main reason for contemplating a buy-out at a company like BTR is much simpler, as Sir Owen has himself suggested. These companies could arguably support much bigger debts, so why not leverage their profits to the limit?

The same has been true *a fortiori* of the many second-round LBOs recently performed on Wall Street. Companies like Colt Industries, Playtex, Dr Pepper and Jefferson Smurfit have been releveraged for the second or even third time during the last 12 months. In each case they have maintained the same management as before and the second-round LBOs involved no strategic changes. The sole purpose was to cash in the profits from the first buy-out by adding as much new debt as the company's balance sheet could withstand — or, more precisely, as much as its bankers and bondholders would provide.





LBO gurus: Michael Milken (left), junk bond dealer, and Henry Kravis of KKR

Liquidation, the other main motivation of the big buy-outs, is illustrated by RJR Nabisco and BAT Industries. Again these buy-outs, actual and proposed, have had little to do with managerial performance or incentives. KKR never implied that RJR Nabisco was badly run or was neglecting its food operations.

In both these cases the issue of management was almost irrelevant from the buyer's standpoint. The crucial argument for an LBO is simply that tobacco companies should be gradually liquidated so that the shareholders and creditors can make their own decisions on deploying their torrents of surplus cash-flow.

The US tax system makes debt much cheaper than equity for most companies

In analysing the recent wave of buy-out proposals, therefore, debates about managerial incentives or the separation between ownership and control are less relevant than they might have been a few years ago. There may be more managerial and strategic reasons than ever before for corporate restructurings — because changes in trade patterns around the world have shaken up many large businesses and created opportunities for new configurations, for instance. But even if these phenomena account for the wave of mergers and industrial alliances around the world, they say nothing about the unprecedented use of debt in such restructurings.

But leverage itself raises a host of controversial issues. Is it desirable for companies in apparently declining industries to liquidate themselves, returning their capital to shareholders instead of seeking new avenues for growth? Do growing debt levels threaten to stunt industrial investment and encourage short-term thinking? Should the financial world change its attitudes to how much debt is "safe"?

All these questions have been debated endlessly, but recent experience does not suggest that any conclusive answers will be forthcoming in the near future.

Companies in declining industries should liquidate, for example, if and only if capital markets really allocate resources more efficiently than corporate managers and entrepreneurs. The evidence on this remains as patchy as ever. In fact, the LBO movement itself has only added to the doubts about the stock market's allocative powers.

If fund managers vastly underestimated the true values of RJR, for example, why should they do any better at analysing the assets in which they will invest the surplus capital squeezed out of RJR?

Regarding debt levels, anxiety is spreading in the US that excessive leverage tends to inhibit capital investment and research. But there is no real evidence of this alleged "short termism", according to the academic studies.

LBO sponsors like Mr Henry Kravis of KKR have claimed, in fact, that R&D has been increased in technologically-oriented LBO companies such as Duracell, the world's leading battery maker, and Owens Illinois, the glass manufacturer. A survey of the literature conducted by the Washington-based Council on Competitiveness earlier this year concluded with the Solomonic judgement that basic research probably tends to be cut but that development of new products and applications is sometimes even accelerated under the pressure of an LBO.

Then there is the commonly expressed concern that LBO collapses will aggravate the next recession, possibly even bringing down major financial institutions and banks. This could be true, but there is also a positive side to the LBO movement.

It has often been noted that levels of borrowing in continental Europe and in Japan are typically much higher than in the US and Britain.

One reason why high leverage is not destablising to these countries' financial structures is the existence of close relationships between the financial and corporate sectors. But this is exactly the kind of relationship forged in an LBO; and leveraged companies in the US and Britain can probably count in future on the kind of forebearance and assistance in times of trouble which has not been traditional in the Anglo-Saxon financial systems.

Thus, general economic discussions of the pros and cons of LBOs seem to be doomed to sterility and failure. The same is not necessarily true, however, of analysis that takes a purely financial approach.

For the financial analyst, especially in Britain and Europe, the wave of LBOs presents a relatively narrow puzzle. In theory, efficient financial markets should ensure that risk-adjusted costs of equity and debt are equal. It would be odd, therefore, if large numbers of LBO sponsors could enrich themselves and the shareholders of the companies they took over simply by turning equity into debt and then gradually liquidating their assets.

To some analysts this argument more or less proves that the LBO sponsors must be doing something fundamentally right. Mere juggling of debt and equity could not possibly earn returns of 40 per cent or more for year after year — unless there were serious inefficiencies in the capital markets.

The trouble is that such inefficiencies do seem to exist, at least in the capital markets on Wall Street. Two of them are called the US tax code and the junk bond market.

The US tax system makes debt much cheaper than equity for most companies because it makes interest payments tax-deductible, but gives no credits for dividend distributions, as in the UK. This feature accounts for some of the success of the US LBO movement, but it does not explain why leveraged transactions suddenly took off in the mid-1980s.

Until the creation of the junk bond market most US companies could not take advantage of the tax anomalies because there were no lenders to provide them with attractively priced unsecured debt. Drexel Burnham Lambert and its controversial head of high-yield bond trading, Mr Michael Milken, changed all that.

There is a concern that LBO collapses will aggravate the next recession

As time goes by, however, the evidence is mounting that the junk bond market did not just allow US companies to raise their leverage to theoretically optimal levels. It offered them debt that was systematically underpriced, as indicated by the increasing number of bond defaults and near-defaults. This meant — and probably still means — that the risk-adjusted costs of equity and debt for US companies were not equal. In many leveraged transactions, junk bondholders have been willing to accept equity-levels of risk in exchange for money-lenders' returns.

Replacing equity that had a cash-flow yield of, say, 15 to 20 per cent by bonds with an after-tax yield of less than 10 per cent makes it possible to raise vast amount of extra money. If, in addition, the bondholders are willing to let the equity cushion shrink almost out of sight — 10 per cent or less of total capitalisation as is typical in LBOs — no managerial miracles are required to achieve huge rates of return.

In fact, between 1982 and 1987, a leveraged investment in the Dow Jones Industrial Average would have produced almost exactly the same return of 45 per cent annually as a stake in the buy-out funds run by KKR.

But why should bondholders provide what is effectively risk capital so cheaply?

Mr Ted Forstmann, who runs Wall Street's third biggest buy-out fund but has not made a new investment for two years and is an opponent of junk bond financing, believes that the poor analytical standards in the junk bond market have enabled some of their competitors to bid LBO prices up to absurd levels. He attributes the mispricing of junk bonds essentially to the gullibility and short-sightedness of many investment institutions. But there may be more fundamental reasons.

There are many institutions and investment funds in the US which can invest only or mainly in fixed-interest securities — insurance companies selling annuities and, until the recent reform bill, savings and loans, were the most important examples. For these institutions, the opportunity to buy bonds with some of the attributes and potential returns of equities was, and still is, an opportunity too tempting to resist.

The willingness and even eagerness of fixed-interest investors to take greater risks was not surprising and was just one of the consequences of financial deregulation. More generally, the growth of speculative activity during the 1980s in the financial markets probably increased the willingness of all investors to accept higher risks in exchange for the extraordinarily high rates of return which came to be considered normal in the mid-1980s.

This is perhaps another underlying reason for the popularity of leverage on Wall Street. Like bondholders, equity investors are constantly reaching for higher returns and therefore riskier investments. In the wild world of 1980s financial engineering, transforming a company's structure to make it riskier and more unstable could actually make it appear more appealing to equity and bond investors alike.

Anatole Kaletsky

Crash brings sea-change to UK bid scene

UNTIL the 1987 stock market crash, the number of leveraged takeovers in the UK could be counted on the finger of one hand. Yet, over the past year, debt-funded deals have become a standard feature on the domestic bid scene — and particularly prevalent in the hostile arena.

This sea-change is easily illustrated. In the years running up to October 1987 there was the Elders IXL bid for Allied-Lyons (which prompted a Monopolies and Mergers Commission inquiry because of the financing structure), the Gulf Resources offer for IC Gas, and that was just about that.

Yet over the past 12 months, investors have seen abortive leveraged bids from the likes of Goodman Fielder Wattie for Ranks Hovis McDougall, Elders IXL for Scottish & Newcastle, and BDDP for Boase Massimi Pollitt. More successfully, Kelt won control of Carless, the oil group — and, despite having extremely short 12-month loan facilities, subsequently beat all expectations on the necessary disposal proceeds raised — while, more recently, Anglo United succeeded in its debt-financed offer for Coalite.

To this should be added some dozen management buy-out bids for quoted companies and — not least — the sight of two £2bn-plus leveraged packages battling for control of Gateway, Britain's third largest food retailer. These employed increasingly sophisticated debt structures, and the first substantial slugs of mezzanine finance (ranking between equity and debt in terms of risk/reward) seen in a UK battleground — £375m and £500m respectively.

Pushing matters even further, Sir James Goldsmith has now introduced the notion of "junk bonds" — "bridging financing" is his preferred expression — in his £13.5bn bid for BAT Industries.

So is the UK learning fast from Wall Street? Or is this a temporary phenomenon? And if the former, how much further will Britain go down this controversial path?

The single most important cause lying behind this change must be the crash in stock market values which took place in late 1987. That had the immediate effects of raising institutional shareholders' requirements for a cash, rather than a paper, consideration in bids, and killing the underwriting system which had previously allowed cash alternatives to be provided. The sub-underwriting risk involved in lengthy, hostile situations simply became too great.

Despite the gradual subsequent stock market recovery, the economic picture has remained uncertain and share price movements, volatile. The only major sub-underwriting exercise to be conducted was for Ranks Hovis McDougall in its abortive "Pacman-style" bid when it tried to turn the tables on Goodman Fielder Wattie.

While cash-rich groups, like GEC, Hanson or Sears, have subsequently funded large deals from existing resources, others, still wishing to tread the acquisition road but unable or unwilling to utilise their relatively lowly-rated paper, have tended to turn to the bankers. Equally, management disenchantment with relatively low equity levels, limiting the use of a stock market quote, has fuelled the mbo-bid trend.

Familiarity may breed contempt, but it also breeds understanding - and the general grasp of banking/leveraged techniques has certainly expanded over recent years.

The converse to this is that the some of the risks involved in leveraged structures have also been writ rather large of late. Lowndes Queensway and MFI have been involved in well-publicised refinancing exercises over the past few months, while the management buyout backers at Magnet have been unable to syndicate the debt package.

The in-roads made on the leverage front have, of course, been facilitated by a somewhat clearer regulatory picture. After the Elders/Allied investigation by the MMC, the broad guideline has been that leverage in itself will not be grounds for the authorities to intervene. This, it should be said, has not always been the most purist of lines; GFW's bid for RHM was referred on grounds that the financing structure might effect the merged group's ability to compete in certain markets.

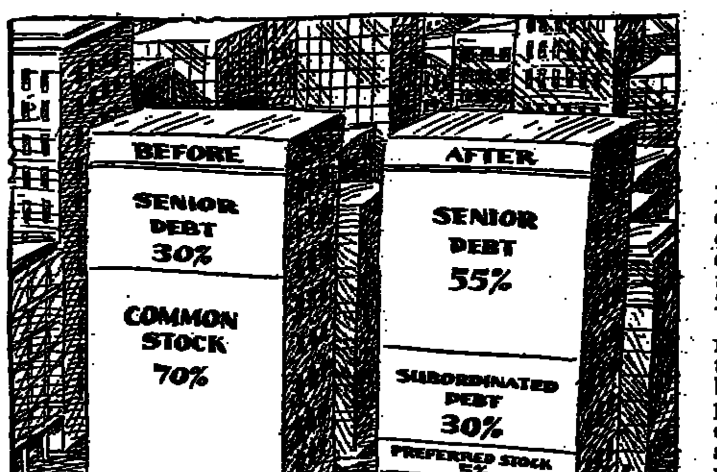
The more complex structure of the current offer from Sir James Goldsmith's Hoylake consortium for BAT may also provide an interesting challenge to the authorities' broad philosophy - dismissing, as it does, the notion that size is any protection against attack.

That said, the questions raised by the latest developments - BTR and, in certain respects, BAT - are of a slightly different order. Both point up - in dramatic focus - that the basic issue is whether a degree of financial engineering can unlock additional value for shareholders. (This is then complicated by the more fraught question of who should handle it, and at what cost).

It is a notion which many investment bankers, ever in search of a fee and aware of the ready financing pools, may be anxious to promote. And, to a certain extent, it is also probably a notion which institutional shareholders — whatever their traditional wariness of transatlantic practices — cannot afford to ignore.

Nikki Tait

Unravelling some of the mysteries of the business



QUESTION: What is a leveraged buy-out? ANSWER: A leveraged buy-out is a clumsy term for something people have been doing ever since commerce began: buying an established business with borrowed money. All business people want to concentrate ownership and its rewards in as few pairs of hands as possible. You borrow money to buy a business because your lenders will only ask you for regular interest and principal payments. They won't ask you for a share of the profits.

Q: So why the fancy name? A: Because these things have become big business in the US in the 1980s and big business gets a name. Using loans to finance your business is called leverage in the US because debt will "lever" up the ownership rewards or equity profits. Gearing is the UK business term, which is the same idea, but different mechanics.

The buy-out part is simply because the businesses are "bought out" from their stock-market shareholders or from big corporations. There are also partial LBOs, called leveraged recapitalisations, and leveraged takeovers.

Q: How does an LBO work? A: Take a glance at the chart. A solid, regular, investment-grade US business in a stable market usually has a balance sheet that looks a bit like the Before column. There's some debt, mostly loans from banks, to increase the capital employed in the business so it can do more trading and, with luck, make more profits for its equity holders. But the thing is conservatively financed. The company could lose pots of money, maybe half its capital, before the bank lenders put the company into bankruptcy.

Q: What about the After column? A: What has happened here is that a group of investors have bought out the company. But instead of capitalising it with their own money, they put in just their spare change and borrow the rest from banks — called senior debt — or from issuing debt securities such as junk bonds or a hybrid of debt and equity called preferred stock. As you can see, if the business grows 10 per cent, the owners double their money. If it contracts 10 per cent, they're bust.

Q: So it's just a way of increasing risk and reward? A: Yes.

Q: Supposing the business does grow, how do the owners cash in their profits? A: They can float the company back on the stock market or sell it to another company. Most likely, they will perform a second leveraged buy-out, taking out their swollen equity in the form of a dividend and selling more junk bonds to replace it. The venerable soft-drink maker, Dr Pepper, has been LBO-ed three times by three different owners since 1984. Its balance sheet is something to see.

Q: Why are LBOs so big on Wall Street? A: Lots of reasons, of which just three are fit to print.

● First, through the 1960s and 1970s, there was a rage in US business to create conglomerates. Engineering companies found themselves owning fruit farms. In the 1980s, business fashion changed, corporate focus became the rage and companies were urged by Wall Street to sell their fruit farms. The natural buyers for the things were their managers, but even US executives are not rich enough to buy whole businesses without going deep into debt. So they teamed up with Wall Street people who could put in equity and assemble the loans and junk bonds.

● Second, companies were going cheap on Wall Street. That is because the stock market values companies according to the outlook for their share profits. It often doesn't take much account of intangible values like brand names and franchises. But an LBO artist reckons he can pay a higher price than the stock market because he expects the magic of leverage to give him much higher equity returns. Alternatively, he can liquidate the business and extract value from all those intangibles.

● Third, is a person called Michael Milken. A former investment banker who faces criminal charges, this extraordinary man all but created a $200bn market for subordinated debt or junk bonds in a decade. This point is important but it gets overlooked. Bankers don't want to lend all the money to the LBO because there's nothing between them and bankruptcy except a meagre piece of equity. They will sleep more soundly if there is another layer of capital between them and the equity holders. This is called subordinated debt because it ranks behind the bank lenders if the company falls and is liquidated. The extra risk in the subordinated debt is compensated, or so it is said, by junk bond yields that can be eye-popping: 15 per cent or more sometimes.

Q: Hang on, won't the stock market wake up to the profits these people are making and make LBO candidates more expensive to buy? A: It has already. LBOs were originally confined to established companies in stable markets. But bankers now say that food processors and mattress companies are too expensive to LBO and even companies in volatile markets, such as oil or construction or technology, have been picked over. Everybody on Wall Street seems agreed that unless debt becomes much cheaper (interest rates come down) or the US economy booms (so that sales go up), the LBO business will be depressed.

Q: Really? A: Well, actually, these people say there are still values in very small and very large companies. The very small companies are not of much interest because Wall Street demands immense fees for arranging the deals. There are surely LBO candidates among very large companies but the political furore over the LBO of RJR Nabisco last year has made even investment bankers think twice about proposing an LBO of, say, IBM.

Q: Is that why they are trying to do LBOs in Europe? A: Yes.

Q: Will they succeed? A: Everything depends on the subordinated debt issue. If the UK institutions and the Euro-debt markets will buy junk bonds, the LBO could really take off in Europe. That is one reason why the battle for BAT Industries is so intriguing.

Q: Will Europeans learn to love junk bonds? A: Search me.

James Buchan

Hostile takeovers pose a threat to bondholders

NOWHERE has the potential conflict between the interests of shareholders and bondholders been more evident than in the field of corporate takeovers financed by heavy borrowing.

The more borrowed funding required by a corporate predator, the more likely it is that bondholders in the target company will see the credit rating of their bonds fall into the so-called "junk" bond category, with the attendant rise in yields and drop in price to reflect the increased risks.

Because of the significant drop in junk bond prices this year — reflecting both recession fears and concern that some investors will be forced to dump their holdings — the potential hazards of hostile takeovers for bondholders are greater than ever. Junk bonds currently yield, on average, more than 500 basis points more than comparable maturity Treasuries, their widest spread in years, according to data compiled by Drexel Burnham Lambert.

While bondholders have long been at the mercy of corporate raiders, it was the $25bn acquisition of RJR Nabisco by Kohlberg Kravis Roberts in late 1988 that finally galvanised investors into action. Following the announcement of Nabisco's management that it would take the company private, spreads on the company's investment-grade 8½ per cent bonds due 1995 soared to 220 basis points over comparable maturity US Treasuries, up from 75 basis points before the announcement. The bonds have since been downgraded to junk bond status by Standard and Poor's Corp and Moody's Investors Service.

It was then that bondholders and underwriters began to look seriously for ways of minimising so-called event risk — the risk of a major event outside a company's control that would suddenly cause its bonds to fall into the junk category. Separately, the credit rating agencies began to search for ways of evaluating the odds that debt securities would be subject to event risk.

The solution most talked about has involved the use of poison puts, which are intended to help bondholders redeem securities around par if a takeover occurs.

While various borrowers have experimented with different versions of the poison put over the past nine months, and Standard and Poor's has come up with a system for evaluating their efficacy, not one has ever been invoked successfully. And while arguments continue over how best to word these covenants, it remains unclear whether any would stand up in court, if challenged.

Typically, poison puts in bond indentures require borrowers to redeem issues at par under certain circumstances, such as a hostile takeover. But that affords little comfort to bondholders of companies taken over in a "friendly" agreement, which many deals become after starting out as a hostile battle.

Alternatively, some bond indentures offer the more vaguely worded option allowing investors to tender their bonds in the event of a change of control. But even if lawyers could agree on what constitutes a change in control, such a clause offers little protection in the case of a management buy-out where only the distribution of equity capital has changed. And it offers no protection whatever to the bondholders of a company that itself is the corporate raider.

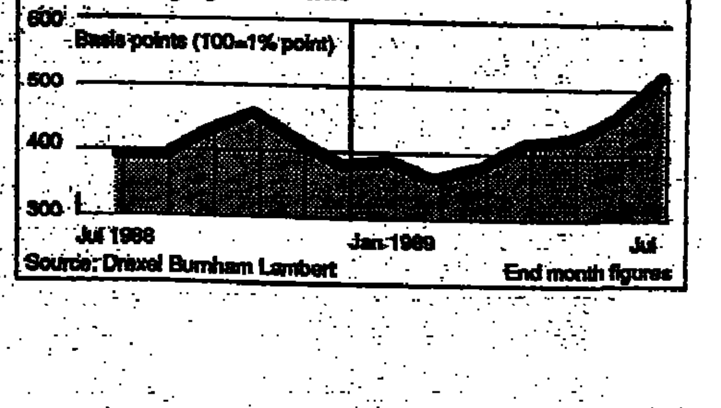
Consider the case of Federal Express, which last December launched a $750m Eurobond with great fanfare that included a poison put protecting bondholders in the event of a corporate takeover. Just two weeks after the bond was announced, Federal Express itself announced it would borrow heavily to acquire Tiger International, a US air and trucking company for $880m.

The news caused rating agencies to announce immediately that they would consider downgrading the company's bonds and bond investors howled in protest. Eventually, the underwriter for the issue, Credit Suisse First Boston, announced the bond issue would be withdrawn.

The paucity of even theoretically efficient poison puts is starkly illustrated by Standard and Poor's new rating scheme for the clauses. Only one out of some 40 protective covenants that have been evaluated was given the E-1 rating signifying that bondholders are offered strong protection against event risk. The rest are deemed to offer protection ranging from "some" to "insignificant".

Norma Cohen

Yield spread between 5yr US Treasury notes and a Drexel Burnham Lambert composite index of high-yield bonds



Source: Drexel Burnham Lambert

INTERNATIONAL COMPANIES AND FINANCE

Ernst & Young Canadian arm defects to KPMG

By David Waller

IN THE first big defection after this summer's wave of mega-mergers in the international accountancy industry, Canada's largest accountancy firm is to move from Ernst & Young to join KPMG.

The defection of the firm – known as Ernst & Whinney Thorne – is thought to have come about because of regulatory and operational worries coming in the wake of the merger between Ernst & Whinney and Arthur Young in June this year.

This briefly created the world's largest accountancy firm, a position which is now regained by KPMG, which will have annual fee income of US$4.17bn.

A merger between Price Waterhouse and Arthur Andersen, first mooted nearly two months ago, would eclipse the enlarged KPMG, with fee income of $5.04bn. The Canadian member firms of Ernst & Whinney and Arthur Young were the first and second largest firms in that country respectively, between them having 45 per cent of the Canadian market for accountancy and other professional services.

Some realignment of their affiliations was inevitable in the light of this dominant position, accountants said yesterday.

The new Canadian firm – to be known as Peat Marwick Thorne – will have more than 800 partners and 5,600 professional staff. Fee income will be $450m, compared with the $166m earned last year by KPMG's existing Canadian operations.

The second largest firm will be Deloitte Ross, with C$379m (US$324m) in fees, assuming the merger between Deloitte Haskins & Sells and Touche Ross proceeds as planned.

Some degree of rationalisation in the accountancy industry has been widely predicted in the aftermath of the latest deals. KPMG is thought to have lost business equivalent to 10 per cent of its fee income in the wake of its merger with KMG in 1986.

Although the Price Waterhouse/Arthur Andersen combination would create by far the world's largest firm, it is by no means certain that talks will bear fruit in a merger, with industry sources suggesting that Andersen's consultancy arm is jibbing at the prospect of the link. The two firms are still making no comment, having imposed 60 days of silence on themselves when the talks were first announced at the beginning of July.

Paris fails to break deadlock in Victoire bid

By George Graham in Paris

TRADING in Compagnie Industrielle, the holding company at the centre of the FFr24bn ($3.6bn) battle for control of Victoire, the French insurance group, remained blocked yesterday under the weight of heavy demand.

The Paris stock exchange had tried to make it possible to resume trading, suspended since August 4, by centralising all orders and demanding full cash deposits to discourage speculation.

With 490,146 shares bid for, and only 1,209 on offer - less than 0.1 per cent of Industrielle's capital - it became impossible to make a market under French bourse rules. Another attempt will be made today, by the same method, at a price of FFr14,060 a share, which is 8 per cent above the price offered by Compagnie Financière de Suez, the banking and financial group, in its full bid.

Paris stockbrokers now appear increasingly convinced that Mr Jean-Marc Vernes, chairman of Industrielle, will be unable to mount a full counterbid, especially since Paribas, the investment banking group, has confirmed it would not take an equity participation in such a bid. However, French takeover rules prevent him from increasing his own stake in Industrielle, currently at about 25 per cent, by buying shares in the market.

Stock market regulators have been worried that purchases in the market by investors acting in concert with Mr Vernes might be difficult to prevent, and have considered suspending trading in Industrielle outright for the duration of Suez's bid and any eventual counter offer. But for the moment they are still trying to maintain an orderly market.

Meanwhile, Victoire, in which Industrielle controls 48 per cent of the votes, fell another 3.8 per cent in active trading to FFr1,800, 10 per cent below the FFr2,000 Suez has offered in the event of success in its bid for Industrielle.

Kleinwort sells Australian unit

By Chris Sherwell in Sydney

KLEINWORT Benson, the UK merchant bank, has unexpectedly sold its Australian subsidiary to Security Pacific Australia, part of the Los Angeles-based international banking group.

The sale, for about A$20m (US$15.2m), was described yesterday as a strategic decision, the consequence of Kleinwort's increased emphasis on Europe in preparation for the move to a single market at the end of 1992.

Kleinwort has previously announced it will concentrate on Europe, the US and Japan at the expense of other areas and has already closed some of its operations in Hong Kong and Singapore.

Mr Jonathan Agnew, Kleinwort's group chief executive, said a further reason for the sale was the financial position of the subsidiary. Its net assets have fallen from A$28m to A$20m as a result of losses in the first six months of this year.

This would have required an injection of more capital, but Kleinwort did not believe it could get an adequate return, Mr Agnew said.

The decision underscores the difficulties facing Australia's overcrowded merchant banking sector and suggests that the long-forecast rationalisation of the sector is under way.

Kleinwort Benson Australia reported net profits of just over A$4m (US$3m) in calendar 1987, but fell into the red in 1988 as losses on investment management and broking together with large provisions outweighed the strong merchant banking contribution.

Security Pacific Australia ranks high among Australia's merchant banks in terms of total assets, placed fifth in 1988 in a survey by Peat Marwick Hungerfords, the accountants.

Mr Fred Kempson, managing director of Security Pacific Australia, said yesterday that the two businesses would "merge well" through the common activities of banking, leasing and treasury and Kleinwort's complementary position in bullion, stockbroking and corporate advisory services.

He did not envisage a big rationalisation.

Buoyant East Asiatic plans rights issue

EAST ASIATIC, the Danish trading, transport and consumer goods group, yesterday announced strong profits for the first half of 1989 and unveiled plans for a DKr970m ($128m) rights issue, Our Financial Staff writes.

The group is seeking funds from shareholders on the basis of a one-for-four issue at DKr235 a share.

The additional capital would be used to expand group activities.

East Asiatic said that subsidiaries in Thailand, Malaysia and Hong Kong all had expansion plans. It added its Plumrose food products division might shortly make an acquisition in the Iberian peninsula.

Profits for the first half of the year rose 32 per cent at the pre-tax level to DKr253m following an 11 per cent increase in turnover to DKr9.4bn.

Sky Television losses reach £75m

By Ray Bashford in London

MR Rupert Murdoch's venture into UK satellite television broadcasting resulted in a loss of £75m (US$120m) in the five months following the launch of Sky Television in February.

Losses at Sky have reached up to £3.5m a week but Mr Peter Stehrenberger, finance director of News International, the publisher of Mr Murdoch's five national UK newspapers, said the loss rate had fallen.

"We would hope to be in a break-even position in three years on a month-to-month basis. At the moment losses are coming down and we expect this to continue," he said.

News International returned sharply reduced pre-tax profits for the year to June 30. However, these did not include the Sky loss which has been deferred and will be written off over the next five years.

Due primarily to a sharply increased interest charge, News International's pre-tax profits fell from £88.2m to £20.6m in the year. The interest charge was £138.7m (£61.8m), which partly reflects borrowings to finance the purchase of William Collins earlier this year.

The losses at Sky since the June 30 balance date will also be added to the amount to be written off and will be treated as a start-up cost being amortised over the next five years.

The total loss to be amortised is expected to be in excess of £100m.

However, from September 1 News International will treat the loss as an operating expense.

Several City analysts said that the Sky losses were in line with expectations and reflected an increase in the advertising and promotion budget in the final two months of the period under review.

According to the profit statement, 500,000 British households have satellite dishes. Mr Stehrenberger forecast the figure would grow to 1.1m in the next 12 months.

British Satellite Broadcasting, a consortium in which Pearson, publisher of the Financial Times, has a substantial stake, will launch operations next spring, as a rival to Sky.

Mr Stehrenberger said that the delay in the launch of BSB had given Sky additional time to strengthen its position. But he acknowledged that potential subscribers might be delaying a decision until BSB was launched.

BASF profits surge to DM2bn

By Andrew Fisher in Frankfurt

BASF, the West German chemicals group, yesterday reported a 28 per cent jump in pre-tax profits to DM2.2bn ($1.12bn) for the first six months of 1989 .

Turnover was 13 per cent higher at DM24.5bn, with growth abroad more rapid than in Germany. However, the company said it expected growth rates to flatten over the rest of the year.

Unlike Hoechst, which recently reported an 8 per cent rise in interim profits following a 2 per cent setback in the second quarter, BASF has benefited from a high level of vertical integration, enabling it to absorb more easily the impact of higher raw material prices.

BASF's second-quarter profit rose by 30 per cent to DM1.3bn.

The group said the results reflected the renewed profitability of its oil and gas activities and improvements in potash, salt, and fertiliser operations. However, earnings in these areas were still unsatisfactory.

In the chemicals and plastics sector, earnings failed to keep pace with sales growth because of higher feedstock costs, in spite of increased capacity utilisation. This year's acquisition of the Resart company in Mainz added acrylic glass to the range of engineering plastics.

BASF said the fastest sales advance was posted by dyestuffs and finishing products, with a rise of more than 20 per cent. The pharmaceuticals business grew at rates above average, especially outside Germany, while magnetic tape earnings benefited from cost cuts and product improvements.

The incoming order flow and the size of the order backlog remains favourable.

In 1988, BASF's pre-tax profits soared by 44 per cent to DM3.7bn.

Nedlloyd to gain Fl 31m in cash call

By Laura Raun in Amsterdam

NEDLLOYD, the Dutch shipping and transport group, has more than doubled interim earnings and has announced plans to raise fresh equity through a one-for-10 rights issue.

Based on current stock market values for the shares, the issue would provide the company with about Fl 31m ($14.2m).

Nedlloyd is stepping up its interim dividend to Fl 1.50 a share from Fl 1.40.

Net income in the half jumped to Fl 112.7m from Fl 52.3m on buoyant world trade, the firmer dollar and extraordinary gains. Book profits of Fl 63.6m were taken on disposals.

For all of 1989 the company expects earnings on ordinary activities to be higher than in 1988 in spite of heavy spending on restructured European road transport activities. Boosted by disposals, net income will be "considerably higher."

Operating income in the Ocean shipping side was fuelled by a stronger dollar and firm demand in container transport. The group also benefited from the turnround at Van Gend & Loos, an overland transport subsidiary.

Energy activities fell into loss in the wake of the Piper Alpha disaster.

Mannesmann advances 28% midterm

By Andrew Fisher

MANNESMANN, the West German diversified engineering and steel group, lifted 1989 first-half net profits by 28 per cent to DM179m ($91.6m) and expects the improvement in sales and earnings to continue.

Like other companies in the German engineering sector, Mannesmann has benefited from the buoyant demand for capital goods in domestic and foreign markets. It forecasts the trend would remain positive for the foreseeable future.

The order inflow in Mannesmann's machinery and plant division, including its Demag and Rexroth subsidiaries, rose by 54 per cent. For the whole group, the incoming order level showed an increase of 26 per cent to DM13.4bn.

Turnover was 9 per cent higher at DM10.3bn, with machinery and plant showing an 8 per cent rise to DM3.8bn.

The electrical and electronics division posted a turnover advance of 26 per cent to DM1.3bn. Its order inflow rose at the same rate, helped by the inclusion in the Hartmann & Braun subsidiary of Applied Automation, the US company bought last year, and by higher demand from the chemical and iron and steel sectors.

The Fichtel & Sachs motor components division, acquired two years ago, recorded an 8 per cent rise in new orders, with turnover 5 per cent higher at DM1.5bn. Turnover in steel pipes advanced 9 per cent to DM2.3bn.

Trading activities, also posting a 9 per cent increase in turnover to DM2bn, booked an 11 per cent gain in new orders.

Mannesmann said most of its divisions recorded higher profits in the first half. The drop in earnings from plant construction stemmed from the inclusion of a large order in the first half of 1988, while the information technology division was affected by pressures on prices for data systems.

INTERNATIONAL COMPANIES AND FINANCE

Brierley to quit as BIL chairman

By Terry Hall in Wellington

SIR RON Brierley is to step down in January as chairman of Brierley Investments (BIL) after 30 years in order to concentrate on new worldwide investment strategies.

His decision to resign came as a surprise and follows a deep debate over the future of the company and Industrial Equity Pacific, its Hong Kong-based international subsidiary.

Sir Ron, who is 52, will remain one of BIL's three top executives taking the title founder president, but will be based in Sydney where he will concentrate on expanding the company's investments in Australia after the sale of Industrial Equity Ltd (IEL), its former subsidiary there.

But he said he would have a free-wheeling role and seek out investments in Britain, Europe and the US. Sir Ron is to be replaced by Mr Bruce Hancox, his confidant and current deputy chairman.

Sir Ron has seen BIL develop from its first tiny takeover bid in the early 1960s when it sought to buy a Wellington suburban cinema, to become a significant force internationally and reach a valuation of NZ$4bn (US$2.4bn) on the New Zealand market yesterday.

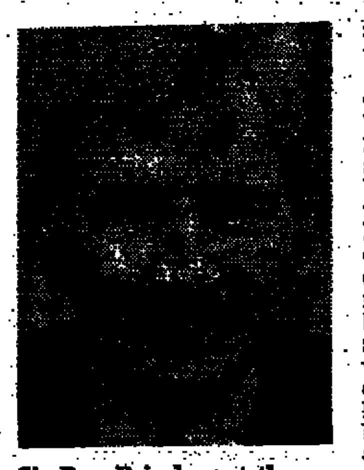
The company said yesterday it would make a record profit of at least NZ$350m this year and was providing a one-for-10 bonus issue.

Sir Ron was asked if he "jumped or was pushed." He said the question was not clear but "if you meant was it something I've done voluntarily, the answer is I think so."

Discussions over the future of the company and of IEP between Sir Ron, Mr Hancox and Mr Paul Collins, chief executive, came to a head in March when it was decided to sell IEL, which was developed by Sir Ron from the late 1960s. It was disclosed that an amicable decision was made then that Sir Ron would resign as chairman.

At last night's press conference the three men made no attempt to hide the fact that they argued over significant issues. Sir Ron emphasised how important and constructive this was in ensuring all three were well thought out. "This is good healthy stuff. As chairman I exerted a lot of influence. Bruce as chairman might take it in a slightly different direction."

Asked if he was stale in the job, Sir Ron said: "After 30 years, I could be. Everything that comes up, year after year,



Sir Ron Brierley: at the helm for 30 years

I've done 30 times before. If I stayed for 35 years, it would mean I'd have tackled the same issues 35 times over."

He said he had his eye on share market opportunities and would travel frequently. As an example, Mr Hancox said Sir Ron's expertise had seen them invest last year in French retailing. "I argued strenuously against this, but Sir Ron made a brilliant decision. It's been a wonderful investment."

Mr Collins riposted: "That's the first time you've admitted that, Bruce."

Sir Ron who founded the company in Wellington in 1960 with the aim of tackling "the new international pursuit of asset stripping" said he would be working reasonably full time on the company's affairs. He said he had found the task of chairman onerous. Mr Hancox said Sir Ron had been a most conscientious chairman, but the task involved him in spending too much time on writing and studying reports on investment proposals taking him away from what he did best, which was seeking out special investment situations.

"It will be much better for the company to have him locked into that new role."

Mr Hancox said he had not wanted the chairman's job. He will take over in January exactly 10 years after being appointed BIL's General Manager. He is 42.

Sir Ron said the changeover date was symbolic. "We're entering a new decade with Bruce at the helm. His job is to get the best out of me and Paul and see we all work together for the good of the company and shareholders. That's what Brierley Investments is all about."

Novel 'bonus option' issue from Westmex

By Chris Sherwell

WESTMEX, the principal company in the empire of Mr Russell Goward, the Australian entrepreneur, announced a rights issue and a novel "bonus options" issue when it reported record annual profits yesterday.

Figures for the year to June showed an after-tax operating profit of A$27m (US$), up from A$17.6m and slightly above expectations. Revenues were A$377m, a sharp rise on the previous year's A$192m.

Westmex has a 56 per cent stake in Chartenhall of the UK, which reported a £13.2m (US$20.8m) profit earlier this month.

Charterhall controls a clothing manufacturer, Corah, and a footwear retailing business, and is expected to announce the takeover of a loss-making clothing manufacturer today which will lift Corah to a number five ranking in the UK.

Acquisitions are also expected soon in Ausralia to expand the principal business there, which is in stationery wholesaling. But Mr Goward expects to sell remaining investments in the petroleum sector, along with other non-core assets.

The renounceable one-for-four rights issue will be at 75 cents, a substantial discount to the current market price of around A$1.40, and will raise A$34m.

Mr Goward called the issue an "annual event," and said he would be taking up his full 27.5 per cent entitlement. There will also be an issue of one bonus option for every two Westmex shares, will allow holders to participate in future rights issues.

With an exercise price of A$2.50 up to 1994, they are expected to keep a sizeable proportion of the company in safe hands. In addition, shareholders were offered a choice of a 6.5 cent final dividend (making a total of 12.5 cents) or a one-for-15 scrip issue.

Increasing prices push Renison to record

By Chris Sherwell in Sydney

STRONG DEMAND and higher prices on the minerals sands and tin markets have helped Renison Goldfields Consolidated, the 49 per cent-owned Australian affiliate of Consolidated Gold Fields of the UK, report record annual profits and revenues.

The mining group yesterday announced an attributable operating profit of A$190.4m (US$76.6m) for the year to June, more than double the A$45.2m reported in 1987-88. Revenues were A$616m, up sharply from A$456m.

Mr Campbell Anderson, managing director, pronounced the results excellent, and predicted continued earnings growth in the current year. Directors declared a final dividend of 20 Australian cents, making 30 cents for the year, up 127 per cent.

But there was no hint of any changes as a result of Hanson's successful takeover of Gold Fields. Mr Anderson said Hanson was still to become fully familiar with Renison's activities. In the meantime, "We continue to run the company as we have."

Renison is the world's largest producer and processor of mineral sands products like ilmenite, rutile and zircon, and a profits breakdown yesterday showed a contribution by these operations before tax of A$147m, up from A$88.5m.

This is expected to rise significantly through increased production and strong prices, and in 1991 production from the group's new Eneabba West resource is scheduled to start.

The group's two tin operations, Renison Tin in Tasmania and Koba Tin in Indonesia, reported record production levels and showed an even sharper improvement in profit contribution, to A$22m from A$3.3m.

On the gold front the picture was less lustrous because of lower bullion prices and the recently announced closure of the loss-making Wau gold mine in Papua New Guinea, which has caused the group to make a full provision of A$9.9m as an extraordinary item in the accounts.

Gold prospects are nevertheless bright. The massive Porgera mine in Papua New Guinea, in which Renison has a 30 per cent share, is now under construction, a small Philippines mine is under development and the group's two existing mines, Pine Creek and Lucky Draw, are to expand production.

In its figures the group also reported a profit on its commodity price hedging of A$5.4m, against a loss the previous year of A$16m, and a stepped up exploration programme which cost almost A$25m (up from A$18.4m), all of which is written off in the year it is incurred.

Li Ka-Shing companies ahead at midway stage

By Michael Marray in Hong Kong

CHEUNG KONG and Hutchison Whampoa, the two principal Hong Kong companies controlled by Mr Li Ka-Shing, have reported increased interim profits and, despite softness in the local property market in the wake of the crisis in China, are both forecasting a satisfactory performance for the second half.

Hutchison, which has interests including property, energy, telecommunications and container port services, announced net profits of HK$964m (US$123.6m), up 3.5 per cent.

In addition, there were exceptional items of HK$2.454bn, mainly arising from the sale of a total of 13.5 per cent interest in Hongkong International Terminals, its container port operating subsidiary, which is in the middle of a large extension project.

On the property side, the bulk of the profits from the huge Whampoa residential project will come through in the coming months, giving a boost to the second-half figures. The cellular mobile telephone and paging businesses in the telecommunications division produced higher profits, while the trading and retailing divisions, including the supermarket chain, also performed satisfactorily.

The Sheraton Hotel and the Hong Kong Hilton, the latter owned by 62 per cent held Cavendish International, also recorded higher profits.

An interim dividend of 16 cents per share has been declared, up from 13 cents.

Cheung Kong, which owns 39 per cent of Hutchison, reported a 9.8 per cent increase in net profits to HK923m, resulting from a rising trend in the property market early in the year, which pushed up income from rentals and the sale of development properties.

A statement noted that the crisis in China has since depressed prices, but that the market is now showing signs of stabilising, with small and medium-sized residential units, in which Cheung Kong has developments under way, and office premises in comparatively stronger demand.

Cheung Kong's extraordinary items amounted to HK$967m. The directors are recommending an interim dividend of 10 cents per share, compared with 8 cents.

New Zealand Equities' deal defies HK watchdogs

By Michael Marray

NEW ZEALAND Equities, an investment company, has succeeded in pushing through a deal under which it will be taken over by Paladin, its 38.7 per cent held Hong Kong associate, in direct defiance of Hong Kong's securities authorities, which are now likely to refuse permission for new shares created in the restructuring to be listed in the territory.

Paladin was asked by both the stock exchange and the Securities and Futures Commission watchdog body to adjourn a shareholders' meeting in order to give investors time to consider a HK$1.20-a-share takeover offer for Paladin from a group of minority holders. They made their bid, via a company called Lai See, because they oppose the acquisition of the highly geared NZ Equities.

But yesterday NZ Equities used its 38.7 per cent stake to help block any adjournment, and then voted through the restructuring, under which new Paladin shares will be issued and five given in exchange for every two shares in NZ Equities.

Having openly defied the authorities, the controllers of Paladin now face the prospect of its new shares being barred from trading in Hong Kong. It is listed there and in New Zealand but most of the market liquidity has been in the British colony. A total delisting of the company in Hong Kong is also possible.

At yesterday's meeting, Paladin shareholders were told that a listing in New Zealand would be retained regardless and that there would thus remain a market on which Paladin could raise capital and where investors could trade their shares – another apparent snub to the HK Stock Exchange and the Securities and Futures Commission.

Lai See's attempts to block the transaction with its own takeover offer, which valued Paladin at HK$252m (US$32.3m), itself met with a writ from a Paladin shareholder in New Zealand, alleging non-compliance with New Zealand share disclosure regulations. This forced a general meeting scheduled for last Monday to itself be adjourned until yesterday. Further legal action is now likely from both sides.

Sony lifts profit forecast

SONY, the Japanese consumer electronics maker, has raised earnings expectations for the year following a 44.2 per cent advance in consolidated net income for the first quarter to June in which sales rose 23.4 per cent, writes Robert Thomson in Tokyo.

The company estimates that pre-tax profit for the year will be Y95bn ($667m), up 23.1 per cent, on sales of Y1,400bn, an increase of 11.3 per cent. Consolidated net income for the first quarter was Y23.2bn, while sales were Y571.8bn.

Sales of video equipment rose 26.3 per cent, audio equipment 24.6 per cent, television sets 24.7 per cent, and records 19.7 per cent, with sales of compact discs in Japan and foreign markets up significantly. The video equipment sales were particularly pushed along by strong demand for 8mm format videos.

Green Cross falls sharply to Y2bn

GREEN CROSS, the largest Japanese plasma derivatives company, showed a 31.7 per cent fall in pre-tax profit to Y2.16bn ($15.2m) in the first half to June, and an 83.4 per cent drop in net profit after having made compensation payments for illegal sales of a drug that exceeded Japanese limits on radioactivity, writes Robert Thomson.

Compensation paid so far this year to hospitals which purchased the drug has been Y929m, and payments for the full year are expected to reach Y4.5bn.

The company wrote off the compensation paid as a special loss, reducing its net profit to Y224m.

INTERNATIONAL COMPANIES AND FINANCE

EIE's empire-builder sets sights on Europe

Stefan Wagstyl on property developer Harunori Takahashi's broadening horizons

A fast-moving Japanese developer who has built a property empire around the Pacific is now turning his attention to Europe.

Mr Harunori Takahashi, 43-year-old owner and president of EIE Development, is negotiating to buy two prime sites in London – a five-star hotel in Mayfair and an office block in the City. He is also planning a luxury hotel in Milan, a resort near Marbella, Spain, and another in Gibraltar. The total investment could be $1bn.

Mr Takahashi is one of a growing breed of wealthy Japanese property developers who have made use of the surge in land prices in Tokyo to raise funds for wide-ranging investments overseas. He has moved so fast that he has sometimes provoked controversy, particularly in Australia, where he is one of the largest foreign investors, and in Japan.

Conducting deals one after another, he has built an empire with assets worth $13bn to $14bn, according to Mr Robert Ishizaki, Mr Takahashi's chief adviser. EIE's interests include about 25 resort hotels, among them seven in the Regent chain and four Hyatts.

The group owns eight golf courses in Japan. There are office blocks in Tokyo, Osaka, Sydney, Los Angeles, Sydney, and Hong Kong – where Mr Takahashi recently bought out Mr Alan Bond, the Australian entrepreneur, to take full control of the Bond Centre.

There are stakes in a shipping company, two air cargo lines, a $800m plan to build a railway in northern Australia, plus investments in 15 small electronics companies.

The scope is breathtaking. One of EIE's latest ventures is to move a floating hotel from its moorings on the Great Barrier Reef to the port of Ho Chi Minh City (Saigon) in a deal with the Vietnamese Government. It will open for business in October.

Mr Takahashi's critics say the man is a high-rolling speculator who is riding for a fall. The group's borrowings amount to between $9bn and $10bn, much of it lent by two Japanese banks – Long-Term Credit Bank and Mitsui Trust and Banking. Each bank has an ex-employee installed as an EIE managing director, one in charge of finance, the other of project planning.

But Mr Ishizaki says talk of over-borrowing is nonsense. "These people don't know how to use debt. They would not buy anything until they had the money in the bank to pay for it. By then the opportunity to buy may have gone."

Mr Ishizaki says the secret of EIE is Mr Takahashi's ability at mergers and acquisitions. "There are thousands of graduates from US business school. But there's only one Michael Milken [the disgraced US junk bond king].

"It's the same with Takahashi. It's genius."

Mr Takahashi himself is said to be a modest man whose only weakness is for French Impressionist paintings. The headquarters of his vast operation is in a poky building in a Tokyo side street.

He was born into a wealthy family with contacts in high political and business circles. He went to Keio University, an elite institution, and afterwards joined Japan Air Lines, the national flag carrier.

He married into the family of an important businessman and made friends in politics, among them the eldest son of Mr Shintaro Abe, a leading member of the ruling *Liberal Democratic* Party.

He is also close to Mr Yoshio Yamaguchi, a former Labour Minister and LDP power-broker.

From the beginning Mr Takahashi had a wild streak in him. At JAL he was known as Warunori, or joker. His break came in 1977 when a rich friend wanted to retire and offered to sell him EIE, an electronics importing business. Mr Takahashi jumped at the chance.

EIE almost immediately received an unexpected boost from a sudden surge in the yen. Profits swelled and Mr Takahashi started investing the cash in Tokyo property. By the time the yen jumped again in 1985, Mr Takahashi owned 11 office blocks.

Like other Japanese property developers he was able to use them as collateral for loans to invest overseas.

Mr Ishizaki says this was one of the keys to EIE's success. Japanese banks are usually reluctant to lend large sums to unknown borrowers for projects in countries where they have never been.

"If your name is Mitsubishi that's fine. Otherwise they're not interested."

But Mr Takahashi managed to persuade the bankers into extending project loans, backed with mortgages rather than the parent company's balance sheet.

Resort hotels were the focus of his expansion. Several Japanese companies guessed rightly that Japanese tourists would start travelling in their millions, among them Seibu Saison, which this year paid $2.3bn for InterContinental Hotels.

Mr Takahashi sometimes traded, buying the Empress Hotel in Hong Kong for $24m and selling within a year for $41m.

But primarily he is out to build a leisure organisation with hotels, golf courses and transport links.

"Tourism is not an easy business," says Mr Ishizaki. "It's very macho – $2,000bn sales a year around the world. That's bigger than the automotive industry or all the electronics industry."

A key element in the strategy was the 1987 acquisition of a 30 per cent stake in Hong Kong-based Regent International Hotels. The company operates Regent hotels around the world, including seven owned by Mr Takahashi. There are plans for more, including Regent hotels in New York (under construction), Milan and London.

In Australia, where Mr Takahashi has made his biggest foreign investments, he ran into trouble. He lost money on Barrier Reef Holdings, a publicly quoted company which ran a floating hotel on the Barrier Reef. The operation was forced to close, says Mr Ishizaki, because it was impossible to get enough staff at the right pay to work on the ship. So EIE has cut its losses and moved the ship to Saigon.

More seriously, many Australians saw Mr Takahashi as a prime example of the voracious Japanese investors who were buying their country for a song. Public criticism came to a head last year when he bought control of Sanctuary Cove, a luxurious resort on the Gold Coast, for A$341m (US$262m) from Ariadne, a troubled investment group formerly run by Mr Bruce Judge.

The deal was investigated by the Australian National Companies and Securities Commission because of the controversial way in which Mr Takahashi bought into Ariadne – acquiring a 19 per cent stake, the maximum allowed before a takeover bid has to be launched.

However, an associate, Mr Malcolm Edwards, an Australian businessman, bought another 19 per cent. The NCSC suspected the two had been acting in concert.

Mr Ishizaki says Australia suffers from a "tall poppy" syndrome, a willingness to cut down its champions. The latest example is the criticism levelled at Mr Bond, another associate. Apart from the Bond Centre, Mr Takahashi is Mr Bond's 50-50 partner in Bond University, Australia's first private university which opened this year.

Until recently Mr Takahashi kept a low profile in his home country. But he has shot into the public eye following the launch of an insider dealing investigation into Nisshin Kisen, formerly a near-bankrupt shipping company where EIE acquired a controlling 60.5 per cent stake last year.

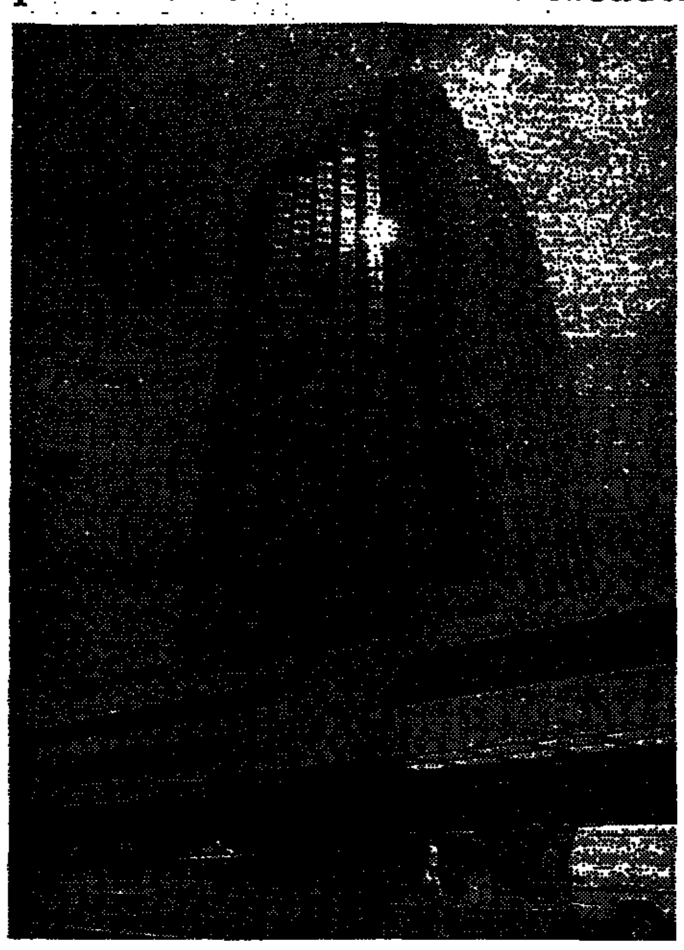
In June this year the shares of the company, listed on the second section of the Tokyo Stock Exchange, rose sharply just before Nisshin announced the purchase from EIE of the Regent hotel in Sydney for A$370m. The money for the hotel was raised by the issue of 16m new shares, taking the total to 35m.

The investigation by the police, the TSE and the Ministry of Finance is still going on. Mr Ishizaki says that no one at EIE bought stock in advance of the deal or passed information to anyone else.

The probe is a test of tough new laws on insider trading passed last May in an attempt to improve Tokyo's international reputation. Mr Ishizaki says: "We are the guinea-pigs."

Nisshin is important to Mr Takahashi as it is his biggest quoted vehicle. After extensive rationalisation of the shipping business, Nisshin made Y1.1bn ($7.6m) in net earnings in the year to March, the first profit since 1981.

But the real attraction lies in the new interests Mr Takahashi might inject into Nisshin. One possibility is using Nisshin to buy foreign assets, which would have a much higher valuation on the TSE than elsewhere because of the level of price/earnings ratios in Japan.



Glyn Genin

Sydney's Regent hotel: purchased for A$370m by Nisshin Kisen after 16m new shares issued

INTERNATIONAL CAPITAL MARKETS

Treasuries mixed ahead of one-year bill auction

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds were quoted mixed at mid-session ahead of yesterday's auction of one-year bills, the fourth consecutive day of new supply to be digested.

Short-dated maturities were quoted slightly lower at mid-session, while the Treasury's benchmark long bond was quoted ⅛ point higher to yield 8.16 per cent.

The tone of the market has improved as the week has progressed amid relief that the five-year note auction on Wednesday received better than expected demand. The results of that sale helped push long-dated bonds to a gain of ¾ point on Wednesday. Yesterday's modest morning gains attested to a sense of confidence that the market has held steady and, indeed, improved, in spite of much new paper to digest.

Trading has been subdued this week, with many traders away on holiday. There has also been little economic news *to react to*, so that supply has been the main concern of the market.

There appears to have been no change of policy by the Federal Open Market Committee which met earlier this week. Fed funds traded steadily at 9 per cent to 9⅛ per cent yesterday morning on the first day of the new two-week statement period. The Greenspan Fed has been very accurate in keeping Fed funds within their target range and yesterday's level suggested that it remains at 9 per cent to 9¼ per cent.

GOVERNMENT BONDS

■ UK GOVERNMENT bond prices closed marginally higher, aided by a slightly stronger pound and buoyancy in US Treasury bond markets. Dealers said gilts were also aided by a view that the very sharp sell-off which followed news of the latest UK current account deficit may have been overdone.

■ WEST GERMAN government bond prices closed slightly lower after a day of very thin trading. Dealers noted a slight price improvement after the Bundesbank's policy council meeting produced no change in interest rates.

While none had been expected by domestic investors, there had been overseas speculation about higher rates earlier in the week.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-08	+2/32	10.70	10.66	10.94
		9.750	1/98	98-14	+5/32	10.03	9.98	10.25
		9.000	10/08	98-02	+6/32	9.22	9.14	9.34
US TREASURY *		9.125	5/99	105-22	-5/32	8.25	8.23	8.02
		8.875	2/19	107-04	+0/32	8.23	8.25	8.12
JAPAN	No 111	4.600	6/98	97.1937	-0.207	5.06	5.09	5.13
	No 2	5.700	3/07	106.8487	-0.101	4.97	5.01	5.00
GERMANY		7.000	2/99	101.3500	-0.150	6.79	6.70	6.66
FRANCE	BTAN	8.000	1/94	97.4694	+0.123	8.69	8.55	8.71
	OAT	8.125	5/99	97.9200	+0.250	8.43	8.34	8.49
CANADA *		10.250	12/98	104.7250	+0.150	9.47	9.37	9.36
NETHERLANDS		7.000	3/99	99.2200	-0.030	7.11	7.05	7.07
AUSTRALIA		12.000	7/99	94.0143	-0.104	13.09	12.98	13.46

London closing. *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

S & P downgrades UK mortgage note

By Stephen Fidler, Euromarkets Correspondent

STANDARD and Poor's, the US rating agency, has downgraded a UK mortgage-backed floating rate note issued in November 1987 from the top AAA rating to A+.

The rating, assigned to an issue of £100m of notes for Domus Mortgage Finance, is the lowest rating for any UK mortgage-backed issue. About £75m is outstanding, following loan repayments. In the absence of a normal corporate borrower, investors in mortgage-backed securities rely heavily on credit ratings.

The Domus issue, lead managed by Chemical, has been plagued with problems from the start. Carrying a margin of 35 basis points over London interbank offered rates, the issue established a new, higher level for interest margins on such securities. Then, the originator of the mortgages, Chemical Bank, pulled out of the UK mortgage market. The reason for the downgrading is that, in some circumstances, investors might still have to depend on Chemical Bank for some payments and the bank's credit could not support a rating of higher than A+.

Portfolio managers dejected on yen bonds

By Norma Cohen

INTERNATIONAL bond portfolio managers have taken a dim view of prospects for yen-denominated securities and are underweighting their holdings, according to a recent survey by Merrill Lynch.

Mr Michael Rosenberg, manager of international fixed income research at Merrill, said current reluctance to invest heavily in yen most likely reflects the narrowing Japanese current account surplus which has accompanied a weakening in the currency. Also, the yen is the lowest yielding of the world's hard currencies, further inhibiting heavy investment.

Merrill surveyed 85 of the largest bond portfolio managers in the UK and Switzerland with total assets of $50bn to $100bn. The managers were asked how they weighted their investments in major currencies. They were also asked how portfolios were structured with respect to durations of currency holdings. Duration is roughly described as the weighted average maturity on all payments on a security.

Managers were asked to measure their actual holdings of US, Canadian, Australian and New Zealand dollars, yen, sterling, D-Marks and French francs against their internally assigned theoretical weightings for each currency.

Of the 85 fund managers surveyed, 44 said they had heavily underweighted yen instruments in their portfolios, while another 26 said they had moderately underweighted the currency. Only seven said they had moderately overweighted yen instruments and none had heavily overweighted them.

By contrast, international bond portfolio managers remain bullish on US dollar investments, with 50 of 85 managers either heavily or moderately overweighting the currency. Only three have heavily underweighted. Merrill's economists' own forecasts, however, suggest that investors should remain neutral on the dollar given its long-term concerns about US trade adjustment.

Meanwhile, bond portfolio managers are relatively neutral on prospects for D-Mark and French franc securities, feeling slightly more optimistic about the latter, according to this study. However, Merrill's own advice to bond investors suggests that the French franc is likely to ease moderately against the D-Mark, reflecting a worsening trade deficit and the possible easing of interest rates in response to slowing growth in money supply.

Merrill's survey of currency weightings in terms of duration showed the yen remains in the least favourable position. Of 85 fund managers giving data on duration, 59 said they had heavily or moderately underweighted yen securities. However, portfolio managers appear to have more heavily-weighted D-Mark and French franc holdings in terms of duration, with, respectively, 46 and 51 saying they had been overweighted and only nine and 11 reporting moderate or heavy underweighting.

In interpreting the overweighting of these currencies in terms of duration, Merrill's economists said the data suggest that both markets may be overbought and ripe for correction.

US third world bank reserves 'inadequate'

By Stephen Fidler, Euromarkets Correspondent

US BANK reserves against loans to developing countries are inadequate and may have to be increased to 50 per cent, according to IBCA Banking Analysis, the UK-based credit rating group.

IBCA said the large provisions taken by the main UK banks, which increased reserves at the half year to about 50 per cent of their total loans left the Japanese banks (provisioned at 15 per cent) and US banks (at about 25 to 30 per cent) as the only laggards.

Japanese banks could increase their reserves without suffering a big impact, said IBCA, in view of their improved capital positions, big hidden reserves and generally modest exposures to less developed countries.

However, building adequate reserves would be a severe burden for Manufacturers Hanover, the US bank, reducing its equity ratio (ignoring tax implications, additional retained earnings or new equity) to 0.7 per cent. It would also cause common equity ratios for four other banks – BankAmerica, Chemical, Chase and Citicorp – to drop below 3 per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅞ 95	600	102¾	103⅛	+0¼	-0⅛	8.74
Austria 9½ 93	140	101⅞	102⅛	+0¼	-0⅛	8.95
B.F.C.E. 7 92	150	95⅛	95¼	0	-0⅛	8.98
B.F.C.E. 9¼ 95	150	101⅞	102⅛	+0½	-0¼	8.78
Brit. Tel. Fin. 9⅞ 98	250	103	103⅜	+0½	-0⅛	8.85
BP America 9¾ 99	250	†103	103⅜	+0½	-1⅛	9.23
Canada 9 96	1000	102¾	102⅝	+0½	-0¼	8.49
Canadian Pac 10¼ 93	100	*102½	102⅞	0	0	9.91
C.C.C.E 9¼ 95	300	101⅛	101⅜	+0⅛	-0⅛	8.94
C.R.C.A 9⅞ 97	150	100⅞	101⅛	+0½	-0¼	6.85
Credit National 8⅞ 93	200	98¼	98⅝	+0¼	-0½	8.80
Credit National 7⅞ 92	100	96⅛	96⅝	+0⅛	-0⅛	8.93
Credit National 9½ 92	160	†100⅞	101⅛	+0¼	-0½	9.06
Dai-Ichi Kan 9⅞ 92	150	101⅛	101⅝	+0¼	-0⅛	9.08
Denmark 7⅞ 92	500	95⅛	96⅛	+0⅛	-0¼	8.98
E.E.C. 7 91	100	96	96½	+0¼	-0⅛	8.86
E.E.C. 7¼ 93	250	95⅛	95⅝	+0¼	-0⅛	8.80
E.E.C. 10 93	140	103½	103⅞	+0⅛	-0⅛	8.75
Eurofima 10¼ 93	100	†104⅛	104½	+0¼	-0⅛	8.66
Elec. De France 9 98	200	100⅛	101¼	+0⅛	-0½	8.81
Elec. De France 9⅛ 99	200	103⅛	104	+0⅛	-0⅛	8.88
Finland 9 96	250	100⅝	101⅛	+0½	-0¼	8.81
Finn. Exp. Cd. 8½ 92	200	98⅛	99⅛	+0¼	-0⅛	8.97
Finn. Exp. Cd. 9⅞ 95	200	102	102¼	+0⅛	-0¼	8.90
Finn. Exp. Cred 10⅛ 93	100	†101⅛	102	+0⅛	-0⅛	9.36
Ford Motor Credit 8 91	250	†98½	98⅝	+0¼	+0⅛	9.09
Gen. Elec. Cap. Corp. 9 93	500	†99⅞	100⅛	+0⅛	-0⅛	8.94
Gen. Elec. Cap. Crp. 10 1/2 93	300	101⅛	102¼	+0⅛	0	9.00
G.M.A.C. 9 96	300	98⅛	99⅛	+0⅛	-0⅛	9.20
Gen. Mtrs. Corp. 9⅛ 92	200	100	100⅜	+0⅛	-0⅛	9.06
IBM Credit Corp. 8⅞ 91	250	99⅛	100⅛	0	-0⅛	8.84
IBM Credit Corp. 9 92	250	100⅛	101⅛	+0⅛	-0⅛	8.58
IBM Credit Corp. 9½ 92	250	101¼	101⅛	+0⅛	0	8.76
IBM Credit Corp. 10 92	200	102⅝	103	+0⅛	-0⅛	8.78
Italy 9½ 95	1000	102½	103	-0⅛	-1⅛	8.89
Italy 9⅝ 99	1000	104⅛	104½	+0½	-0½	8.91
Kah C. W/W 4⅝ 94	1000	†100	101	-0⅛	-1⅛	4.98
Japan Dev. Bank 10 96	200	105⅛	105½	+0⅛	-0⅛	8.91
L.T.C.B. of Japan 9¼ 92	200	100⅛	100⅜	+0⅛	-0¼	9.04
Metropolis Tokyo 9½ 93	200	101⅛	102	+0⅛	-0⅛	8.89
Nippon Tel. & Tel. 9⅜ 98	250	102¼	102⅝	0	-1	8.97
Norway 8⅞ 93	500	99⅞	100⅛	+0¼	-0¼	8.68
Portugal 8¼ 91	300	†97⅞	98⅛	+0¼	-0¼	9.52

[illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

[illegible]

INTERNATIONAL CAPITAL MARKETS

Australian states bite nascent watchdog

Local opposition to the ASC is challenging Canberra's power, writes Chris Sherwell

Old and bitter rivalries are being fought out on a fresh battlefield, as Australia's new regulatory regime for companies and the securities markets at last begins to take shape.

The relevant legislation setting up the Australian Securities Commission (ASC) was finally passed in May, a year after being introduced and 15 years after a parliamentary committee first recommended the establishment of a national regulatory agency.

But there are some conflicts to be resolved before it can replace the existing National Companies and Securities Commission (NCSC) and the state-level Corporate Affairs Commissions (CACs).

The most important involves the federal Government in Canberra and Australia's component states, which hate any erosion of their power. Four of them – New South Wales, Queensland, South Australia and Western Australia – are challenging the constitutional validity of Canberra's power to legislate in this area.

Hearings in the High Court are set for October, but a decision is not expected before the end of the year. The states allege that all three pieces of legislation passed by the federal parliament in May interfere in one way or another with their sovereign functions.

In a separate piece of traditional Australian combat, New South Wales is blithely ignoring this challenge to campaign strongly for the Commission to be located in Sydney, as the country's premier business and financial centre. Unsurprisingly Melbourne, as the home of the NCSC, is not taking this lying down.

Both jousts are serving to highlight the changes now under way in the regulation and supervision of Australia's companies and securities markets (see below). If all goes according to plan, these will replace the existing regime by July next year.

At the centre of it all is Mr Tony Hartnell, the chairman of the new body. He readily acknowledges that the system is a direct attack on the primacy of state governments in the area of corporate regulation. But in his view the commercial logic behind it is inescapable.

"Corporate and securities regulation based on nine separate jurisdictions [the Commonwealth, the two Territories and the six states] and their institutions – nine parliaments, nine public services [10 including the NCSC] and nine judiciaries – is too unwieldy, too costly and, ultimately, too inefficient," he told a seminar last week.

Although the NCSC had some big successes in encouraging a uniformity of approach, he says it also revealed some basic flaws – the federal parliament's residual rubber-stamping role, for example, and the slow registration processes caused by state governments insisting on responsibility for protecting corporate names.

He says his first priority is to create at a central facility a national database covering the country's 750,000 companies, to which all ASC offices in Australia will have access. To help with the expected flood of re-registrations, he is setting up a procedure whereby their applications can be processed early.

He is adamant that the CACs will go, but says that the capital cities in each state will have ASC establishments and that both Sydney and Melbourne in particular will have "substantial offices."

Mr Hartnell is himself a Sydney man, with a preference for living in Sydney; that is where he has set up temporary offices. But to help him decide the location of the ASC's headquarters, Mr John Cain, Victoria's premier, is said to have offered to turn over the full facilities of his state's CAC.

This has piqued the New South Wales government, which has been irritated by Victoria's cleverly calculated success in attracting the 1996 Olympic Games candidacy to Melbourne and winning a A$5bn (US$3.8bn) naval frigates contract. According to Mr Nick Greiner, the New South Wales premier, the location should be decided by "merit and logic," by which he means Sydney.

As for the ASC's methods, Mr Hartnell clearly believes these will differ from the NCSC pattern. For one thing, ASC members will have direct responsibilities over its operations, and the distinction often used by the NCSC between the Commission and its staff will go.

Secondly, investigative hearings will be run by Commission employees recruited for the purpose, rather than by members of the ASC itself, unless an ASC member is given full-time responsibility for hearings. As far as possible, such hearings will be conducted in public. Finally, criminal prosecutions will be conducted through the federal Director of Public Prosecutions and with the help of the National Crime Authority, so that the ASC can concentrate more on civil actions.

One delicate question still outstanding concerns the NCSC itself. Because the new order replaces but does not repeal the old, the phasing-out of the NCSC and transition to the ASC will need sensitive handling, both in relation to ongoing work and recruitment of ASC staff.

Significantly, the federal Government has already earmarked more than A$80m for the new system in its first two years, far more than the cash-strapped NCSC has ever enjoyed. Mr Hartnell is the only appointee so far to the ASC. There will be between three and eight Commission members altogether, at least three of these full-time.

Measure for measure: regulation in three acts

FOR MONTHS lawyers have been poring over the changes to the system of companies and securities regulation in Australia. The new arrangements aim to replace the existing "co-operative scheme," but without repealing it writes *Chris Sherwell in Sydney.*

Under that scheme, now 11 years old, the federal parliament enacted laws which the states applied. The main regulatory body, the National Companies and Securities Commission (NCSC), acted through the various states' Corporate Affairs Commissions (CACs).

The new scheme creates the Australian Securities Commission (ASC) through three new pieces of legislation – the Australian Securities Commission Act, the Corporations Act and the Close Corporations Act. Introduced into federal parliament in May 1988, these were finally passed a year later.

The Australian Securities Commission Act sets up the ASC as a successor to the NCSC and the CACs. The Corporations Act will regulate the constitution of companies, their management and administration, the acquisition of shares in companies, and all aspects of fund raising, the transfer of securities and participants in the securities and futures industries.

Among the principal changes, according to the major Australian law firm Allen Allen and Hemsley:

- Corporate bodies will need to register their names only once to operate throughout the country. To protect a particular name from a similar name will now require legal action.
- Companies will have to lodge a prospectus for a much wider range of circumstances in which they offer shares for subscription or purchase. This includes issues by Australian companies in such foreign markets as the Eurobond market.
- Disclosure requirements will become broader by being made less specific. Rules against misleading or deceptive conduct in securities dealings are also widened.

New South Wales, Queensland, South Australia and Western Australia allege that all three pieces of legislation passed by the federal parliament in May interfere in one way or another with their sovereign functions

- The grounds on which a dealer's licence can be cancelled will be broader, but the licensing of investment advisers' representatives and dealers' representatives is being done away with.

There are significant changes in relation to takeovers:

- The threshold at which a substantial shareholding must be declared is being reduced to 5 per cent from 10 per cent.
- Vetting of takeover documents is likely to be less stringent because the ASC will have to register documents by 5pm on the business day following their lodgement.
- Restrictions will be relaxed on profit forecasts and asset revaluations during takeovers. But offerers will have to state the options they are considering should they acquire the target, and tougher restrictions will apply to the conditions a bidder attaches to a takeover offer.

The changes with the biggest potential impact are perhaps institutional. Apart from establishing the ASC itself, the new legislation creates:

- A new Corporations and Securities Panel to hear ASC claims of unacceptable conduct or unacceptable acquisitions. Unlike the NCSC, the ASC will not be able to make such declarations itself, although it will retain an investigatory role. There will be no appeal on merit, only on questions of law, to the federal courts.
- A joint parliamentary committee on the securities industry, opening the way for the examination by politicians of individuals and corporations on particular transactions or the broad scope of their businesses.
- A Corporations and Securities Advisory Committee to replace the former Companies and Securities Law Review Committee and report to the Government. Headed by Mr Mark Burrows, a local banker, it includes a number of leading corporate figures. The head of the ASC is an ex-officio member.

Arbitrage opportunities draw flood of Ecu issues

By Andrew Freeman

THE OPENING of arbitrage opportunities in the Ecu sector allowed first a trickle, then a flood of new Eurobond issues yesterday, leading to comments that much of the Ecu400m worth paper remained unplaced.

The swap window was opened wide by the Ecu1bn domestic deal in Italy on Wednesday, but dealers were surprised at the volume of Eurobond issues which emerged into what they saw as steady but limited demand.

The two Ecu75m deals issued in the morning initially fared best, with both lead managers reporting good demand for the bonds from a range of retail and institutional investors. BNP Capital Markets quoted the Electricité de France three-year fungible issue on fees at less 1⅝ bid, while Commerzbank was bidding within full fees at less 1.60 for its Commerzbank Overseas Finance deal. Both deals were swapped, although neither lead manager would elaborate.

Syndicate members said they made sales within fees on the deals, with German, Swiss and Benelux investors in evidence. However, some new issue traders commented that the terms were less than generous.

Two more substantial deals were launched in the afternoon session. Deutsche Bank Capital Markets (DBCM) was celebrating what it called a breakthrough in the UK market when it issued an Ecu150m five-year deal for British Telecom Finance, the first time the utility has borrowed outside the sterling and dollar sectors.

The paper was quoted by DBCM on fees at less 1⅞ bid, and at that level it bought back paper from some comanagers. Traders said the paper was on the expensive side and that there had been a period when the support bid disappeared.

Sales were briefly made outside fees at less 1.90. However, they commented that the borrower's was a popular name in Switzerland and other parts of Europe, and that the bonds will sell over time.

Mr David Harrison, BT's treasurer, said the deal had been designed to raise its profile in Europe, and confirmed that the proceeds had been swapped into floating-rate US dollars. At yesterday's swap rates, it should have achieved funds at more than 60 basis points below Libor.

Crédit Commercial de France was quoting the Ecu100m Nordic Investment Bank issue at less 1⅞ bid, a discount equivalent to full fees. There were bids away from the lead at less 1.80. The lead manager reported immediate retail interest based on the higher yield the bonds offered over the BT paper, but traders said that by the time the deal was launched the market was unexcited at the prospect of absorbing so much paper.

Elsewhere, DBCM was active in the growing Swedish krona sector, bringing a SKr400m five-year deal for Deutsche Bank (Luxembourg) with an 11 per cent coupon. The bonds were tradingat less 1.70 bid, inside full fees, amid good demand. Investors have been expressing increasing interest in Scandinavian currencies which offer a high yield and a relatively low currency risk against the D-Mark.

In Switzerland, Monday's deal for Kansallis-Osake-Pankki was increased to SKr400m and was trading at less 1.70 bid, after less 1.60 bid before the increase.

Two small convertible new issues had good receptions, trading premiums to their par issue prices. The Dantani bonds were trading at 104 bid, while the Marufuji deal reached 102½ bid.

Tuesday's SFr300m IADB two-tranche deal suffered slightly, with the 10-year tranche falling by ¼ point to less 2 bid. On Tuesday, the bonds were trading at less 1¾ bid. The 15-year tranche was less 1⅞ yesterday, down ½ point since Tuesday.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokio Marine & Fire✦	500	(4)	100	1993	2¼/1½	Nikko Secs. (Europe)
Nissan Diesel Motor Co.✦	200	(4⅛)	100	1993	2¼/1½	Daiwa Europe
Daido Steel Co.(e)✦◆	200	4¼	100	1994	2¼/1½	Nikko Secs. (Europe)
STERLING						
Leeds Permanent B.Soc.(h)‡‡◆	200	(h)	100	1994/01	n/a	Merrill Lynch
Bristol & West B.Soc.(i)‡‡◆	150	(i)	100	1994	n/a	Merrill Lynch
ECUs						
British Telecom Finance(c)◆	150	8½	101⅞	1994	1⅞/1¼	Deutsche Bank Cap.Mkts
Nordic Investment Bank(c)◆	100	8¾	101⅞	1994	1⅞/1¼	CCF
Commerzbank Overseas(c)◆	75	8¾	101⅞	1994	1⅞/1¼	Commerzbank
Electricite de France(d)◆	75	8¾	102	1992	1⅝/⅞	BNP Capital Markets
D-MARKS						
Rhythm Watch Co.◆	100	(1⅝)	100	1993	2¼/1⅜	Dresdner Bank
SWISS FRANCS						
Dantani Corp.(a)★★§	40	(½)	100	1994	1½	Handelsbank NatWest
Marufuji Sheet Piling(b)★★§	40	(½)	100	1993	n/a	Credit Suisse
SWEDISH KRONA						
Deutsche Bank,Luxembourg(c)◆	400	11	101⅞	1994	1⅞/1¼	Deutsche Bank Cap.Mkts
Kansallis-Osake-Pankki(f)◆	400	11⅛	101⅞	1994	1⅞/1¼	Kansallis Banking Group

★★Private placement. ✦With equity warrants. §Convertible. ‡‡Variable rate notes. ◆Final terms. a) Indicated yield to put 4.11%. b) Indicated yield to put 3.925%. c) Non-callable. d) Fungible with Ecu100m issue launched in March. e) Coupon indicated at 4⅛%. f) Issue increased from SKr300m. h) Initial tranche of £50m of 5yr senior VRNs, and £50m of 12yr subordinated VRNs. Senior have initial margin of 10bp, alternative 50bp. Subordinated have initial margin of 25bp and alternative of 70bp. All linked to 3-month Libor. i) Senior VRNs have initial margin of 10bp over 3-month Libor. Alternative margin of 50bp over Libor. Option to convert into subordinated VRNs.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday August 24 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Aug 23 Index No.	Tue Aug 22 Index No.	Mon Aug 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	1002.97	-0.2	10.73	4.85	11.44	20.88	1004.65	1003.55	1007.32	782.56
2 Building Materials (29)	1200.22	-1.0	12.48	4.44	9.98	26.47	1212.87	1209.59	1212.59	995.53
3 Contracting, Construction (37)	1586.16	-0.5	15.87	4.51	8.67	33.67	1593.64	1598.16	1605.08	1572.99
4 Electricals (9)	3005.85		8.23	3.34	15.12	52.79	3005.80	3027.03	2984.87	2187.88
5 Electronics (30)	2241.72	-0.3	8.67	3.34	14.95	47.99	2248.42	2246.18	2265.38	1688.57
6 Mechanical Engineering (56)	545.87	+0.2	9.86	4.46	12.36	10.58	544.84	543.65	546.34	412.82
8 Metals and Metal Forming (6)	530.61	+0.2	19.40	5.66	5.68	14.84	529.69	526.60	528.65	474.91
9 Motors (17)	367.53	+0.2	18.45	4.28	11.20	8.25	368.39	368.18	367.52	274.98
10 Other Industrial Materials (23)	2863.60	+0.5	8.35	3.77	14.30	34.02	2853.55	2857.33	2859.80	2282.98
21 CONSUMER GROUP (185)	1389.86		7.81	3.88	16.07	22.10	1388.76	1382.16	1383.22	1062.86
22 Brewers and Distillers (22)	1548.56	-0.8	8.59	3.16	14.56	25.65	1561.77	1544.53	1549.84	1093.46
25 Food Manufacturing (20)	1207.16	+0.7	8.39	3.46	14.92	21.04	1198.78	1193.48	1197.73	950.31
26 Food Retailing (14)	2680.07	+0.5	7.46	2.57	17.73	38.97	2665.50	2646.66	2645.38	1930.77
27 Health and Household (14)	2645.48	+0.3	5.54	1.56	22.97	22.92	2633.31	2655.13	2647.81	1787.49
29 Leisure (33)	1794.58	+0.3	6.92	3.12	17.82	31.23	1788.92	1768.98	1775.97	1334.28
31 Packaging & Paper (15)	612.36	-0.1	9.55	4.05	13.22	9.63	612.85	615.82	610.26	512.66
32 Publishing & Printing (19)	3861.86	+0.2	8.23	4.31	15.46	88.95	3869.82	3892.33	3985.44	3444.45
34 Stores (35)	898.93	+0.3	9.59	4.09	13.61	17.02	896.28	891.32	889.65	786.31
35 Textiles (15)	585.38		10.22	4.96	11.72	15.36	585.46	582.49	579.65	566.86
40 OTHER GROUPS (93)	1218.79	+0.4	9.27	4.82	13.10	23.13	1214.43	1210.29	1211.58	[illegible]
41 Agencies (17)	1598.88	+0.1	6.65	2.21	18.56	22.79	1597.34	1583.02	1618.21	1067.93
42 Chemicals (22)	1361.49	-0.6	10.90	4.56	10.82	40.03	1369.79	1354.43	1340.26	1025.73
43 Conglomerates (13)	1763.66	-0.6	9.78	4.62	12.13	28.35	1774.50	1772.71	1782.97	1184.29
45 Transport (13)	2437.83	+1.2	8.40	3.71	15.11	40.89	2408.69	2401.84	2433.95	1899.97
47 Telephone Networks (2)	1124.52		10.89	4.41	11.97	22.38	1124.08	1120.88	1126.03	931.22
48 Miscellaneous (26)	2031.50	+2.1	8.55	3.33	15.19	29.86	1990.56	1995.31	1974.45	1281.48
49 INDUSTRIAL GROUP (485)	1251.10	+0.1	9.33	3.58	13.59	22.74	1250.78	1255.88	1255.06	988.63
51 Oil & Gas (15)	2172.93	+0.5	9.84	5.14	13.48	73.67	2161.18	2159.70	2172.91	1722.98
59 500 SHARE INDEX (500)	1336.40	+0.1	9.17	3.78	13.58	26.89	1334.73	1330.64	1333.57	1016.51
61 FINANCIAL GROUP (122)	822.37	+0.7	-	4.98	-	23.03	816.77	802.60	804.51	674.62
62 Banks (9)	844.64	+2.9	28.45	5.91	6.43	35.83	820.87	813.71	814.91	642.87
65 Insurance (Life) (8)	1245.13	+1.5	-	4.80	-	29.86	1227.03	1219.51	1222.20	1014.37
66 Insurance (Composite) (7)	659.48	+0.2	-	5.65	-	18.82	658.23	650.92	631.08	525.70
67 Insurance (Brokers) (7)	967.78	-0.1	7.76	6.41	17.21	31.89	969.20	964.03	971.82	956.94
68 Merchant Banks (10)	379.25	+0.3	-	4.18	-	7.56	378.26	369.91	371.55	344.76
69 Property (50)	1387.87	+0.1	6.24	2.85	20.46	18.67	1385.88	1386.19	1386.26	1165.79
70 Other Financial (31)	370.47	+0.5	10.87	5.91	11.84	9.83	368.63	371.95	373.82	365.88
71 Investment Trusts (69)	1274.39	+0.4	-	3.49	-	16.91	1269.66	1267.76	1269.02	988.28
81 Mining Finance (2)	763.87	+0.7	8.49	3.64	15.06	15.84	759.30	761.86	785.71	522.73
91 Overseas Traders (8)	1420.15	+1.4	9.88	5.88	11.64	43.33	1400.73	1405.15	1409.73	1148.78
99 ALL-SHARE INDEX (700)	1210.39	+0.4	-	3.93	-	25.67	1205.78	1203.50	1204.17	928.91

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 23	Aug 22	Aug 21	Aug 18	Aug 17	Year ago
FT-SE 100 SHARE INDEX†	2393.1	+18.7	2404.5	2387.5	2382.4	2378.8	2374.7	2375.1	2360.0	1788.2

FIXED INTEREST

PRICE INDICES	Thu Aug 24	Day's change %	Wed Aug 23	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.42	+0.03	118.38	-	8.13
2 5-15 years	134.15	+0.03	134.28	0.17	9.33
3 Over 15 years	146.94	+0.07	146.84	-	8.39
4 Irredeemables	169.32	-0.25	169.75	-	7.98
5 All stocks	131.91	+0.03	131.96	0.09	8.94
Index-Linked					
6 5 years	141.87	+0.18	140.81	-	2.26
7 Over 5 years	140.11	+0.19	139.84	-	2.64
8 All stocks	140.86	+0.19	139.79	-	2.61
9 Debentures & Loans	115.12	-0.01	115.14	-	6.77
10 Preference	89.38	+0.06	89.33	-	3.54

AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 24	Wed Aug 23	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.43	9.42	9.93
2	15 years	9.15	9.12	9.55
3	25 years	8.98	8.96	9.22
4 Medium Coupons	5 years	10.36	10.36	10.30
5	15 years	9.54	9.55	9.79
6	25 years	9.27	9.22	9.49
7 High Coupons	5 years	10.47	10.46	10.47
8	15 years	9.75	9.75	9.91
9	25 years	9.38	9.37	9.46
10 Irredeemables		9.12	9.18	9.83
Index-Linked				
11 Inflation rate 5%	5yrs	2.78	2.83	3.23
12 Inflation rate 5%	Over 5yrs	3.44	3.45	3.85
13 Inflation rate 10%	5yrs	1.95	2.00	2.13
14 Inflation rate 10%	Over 5yrs	3.26	3.27	3.68
15 Debs & Loans	5 years	12.92	12.92	11.84
16	15 years	11.61	11.61	11.01
17	25 years	11.11	11.12	10.99
18 Preference		10.20	10.21	9.89

† Opening index 2400.4; 10 am 2389.1; 11 am 2390.5; Noon 2397.0; 1 pm 2404.3; 2 pm 2403.6; 3 pm 2399.4; 3.30 pm 2395.0; 4 pm 2390.5 (a) 12.53pm (b) 10.26am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: Ward White Group (34) has been deleted and replaced by Sovereign Oil & Gas (51).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	39	21
Corporations, Dominion and Foreign Bonds	14	9	21
Industrials	390	360	819
Financial and Properties	232	86	350
Oils	28	12	52
Plantations	0	1	10
Mines	42	35	97
Others	117	47	122
Totals	868	589	1,492

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug 21
- Last Dealings Sep 8
- Last Declarations Nov 23
- For settlement Dec 4

For rate indications see end of London Share Service

Calls in Mt. Labs, Dewey Warren, Far East Res, Int Media, Ferranti, Spong, Tavern Leis, Eurotunnel Wrnts, Atlantic Res, Asda. Puts Reuters, McArthy & Stone.

LONDON TRADED OPTIONS

AGAINST THE background of a stock market that closed on a high for the year, volume on the traded options market yesterday was only moderate, with some 30,014 contracts changing hands. Calls accounted for 20,748 contracts.

The stock market's strength was fuelled by continued bid speculation and the strength of Wall Street but the market looked raggedy in places. There were signs that institutional investors were continuing to be highly cautious.

With Wall Street ending strongly on Wednesday and moving early yesterday, traders said some option market action was a result of fairly active trading of American Depositary Receipts.

The FT-SE option accounted for more than a quarter of trading, as it has in recent sessions. Some 7,954 contracts traded, dominated by puts, against as on recent days. Some 5,321 puts changed hands, versus 2,633 calls, and reports surfaced of a late seller of puts, possibly the August 2,350 series.

Two bank stocks featured on the actives list: TSB and Barclays. Traders said there had been some re-rating of banks issues, but the sector may have been stimulated by investors seeking yields in an otherwise uncertain market.

In the options market, TSB was the second most active series, trading 1,480 calls and 110 puts, with the most active series the September 110 calls, where 605 contracts changed hands.

Barclays, the third most active, posted 1,563 contracts, 1,204 of them calls. The September 550 calls traded 1,154 contracts.

Most active option was British Steel, where 1,728 calls and 90 puts were exchanged, with the October 80 series the most active, trading 950 calls.

Trust House Forte took fourth slot, trading 1,182 calls and a lone put, while British Airways, trading 1,047 calls and 90 puts, was dominated by spread trading, including, according to reports, a sale of January 200 calls and a purchase of the April 200s.

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 24 Total Contracts 30,014 Calls 20,748 Puts 9,266

FT-SE Index Calls 2633 Puts 5321

*Underlying security price. † Long dated expiry months

Philip Coggan and **Richard Tomkins** outline Eagle Trust's history and profile its leading players — John Ferriday and Richard Smith

An Icarus with once new, now somewhat ragged, plumage

THERE IS no sponsor's name on the shirts of Watford FC's football players this season. Last year's sponsor, Eagle Express, the parcel distribution company which was a subsidiary of Eagle Trust, has gone into liquidation.

Watford is still looking for a replacement. And that gives the distribution company's advertising slogan "Eagle Express. There is no substitute" — still resplendent in bold letters on the hoardings — a particularly hollow ring.

The demise of Express is the latest unhappy incident in Eagle Trust's chaotic career in the 30 months since it was formed in March 1987. The initial hopes were high, but the reality has been a grave disappointment.

Eagle was created by a three-way merger between Audiotronic Holdings, an electronic equipment distributor, Mitchell Somers, an engineering company and Midland City Partnership, the business vehicle for Mr John Ferriday and Mr Richard Smith. In effect, Mr Ferriday and Mr Smith acquired a stock market shell which they hoped to turn into a conglomerate.

In common with many such companies before the crash, Eagle used its highly rated shares to make a host of acquisitions. Three months after the merger, Eagle made a £29m rights issue and used part of the proceeds to buy Pavis, a builders' merchant.

In October 1987, Eagle launched a £48m offer for Samuelson Group, a TV lighting company which had just dived into the red because of provisions for "significant accounting errors". That bid was partly financed by a further £21m rights issue.

It was the last major purchase Eagle was able to make. Seven days after the bid was launched, the world's stock markets plunged on Black Monday. Budding conglomerates like Eagle became particularly unpopular — the company's share price fell from 38p on October 1 to 15p in early December.

Shareholders could have been forgiven for not paying much attention to Eagle's foray into parcel distribution amidst all this activity. But in the annual report for 1987 (the last Eagle has published) under the heading "post-balance sheet events", it was revealed that Eagle had acquired the whole of Connect Parcel Distributions for just £86,000, with potential deferred consideration of up to £3.75m.

And flicking back to Note 13, the alert shareholder might also have noticed that the company made an unsecured loan of £14.9m to a company which "since December 31 has become a wholly-owned subsidiary. There are no formal arrangements in force regarding payment or interest terms." That company was Connect.

The idea behind Connect was appealingly simple. A national distribution system was created by linking together a number of franchised trucking companies. In theory, the cost to Eagle would be limited to marketing and a computer system to track the deliveries round the UK.

In fact, many of the contracts proved to have been negotiated on disadvantageous terms, it proved difficult to collect money from customers, and the cost system was unwieldy. Connect, even when relaunched as Eagle Express, continued to lose money. When it finally folded, its net debts were £33m.

To lose £33m at Connect, which had cost only £86,000, was quite an achievement; but Eagle had also managed to buy, through Connect, a 50 per cent interest in Laforza, a motor manufacturing and distribution company producing the Fissore four wheel drive car.

It is money that was intended for investment in Laforza that Eagle's current management believes has gone missing. After an investigation by accountants Peat Marwick McLintock, the new management, led by Mr Malcolm Stockdale, is searching for a sum of around £13.5m. It was because of the missing funds that Eagle last week asked the Department of Trade and Industry to investigate.

Add in the fact that MCP Building Supplies, an Eagle subsidiary, has been placed in the hands of administrators and that Eagle Computers, an in-house computer service, is being looked at by insolvency practitioners and it is small wonder that the company's results for 1988 have yet to be published.

Mr Stockdale is the latest in a shifting cast to appear at the helm of Eagle. Mr Leslie Thomas resigned as chairman in October 1988 only to launch a public attack on Eagle's financial controls in March this year.

Mr Ferriday became chairman and chief executive after Mr Thomas' departure but he resigned from both posts after Mr Stockdale bought into Eagle, through his US company Iroquois Brands, earlier this year.

In addition to three chairmen, Eagle has had three sets of advisers in the last year. Swiss Bank Corporation resigned as financial adviser and stockbroker in March citing a "breakdown in communication" with the company.

Charterhouse Bank and Charterhouse Tilney took over as adviser and broker respectively, but resigned two months later after the appointment of Mr Stockdale. Aitken Hume & Parrish are the new team.

When Mr Stockdale bought into Eagle, he was seeking a UK vehicle for his business interests. But he immediately found himself drawn into crisis talks with bankers and an alarming round of announcements of financial problems.

For example, Eagle had declared in May that it no longer had a notifiable stake in Owners Abroad, the tour operator. But in August, Eagle found that it continued to hold a 15 per cent stake in Owners Abroad. A contract to sell the shares had not been concluded.

Mr Stockdale maintains that several auditors' investigations have shown that most Eagle businesses are sound. When the mess is cleared up, he believes he will have a worthwhile company.

But he has refused to pay for a 12.9 per cent stake Iroquois acquired in May saying that certain warranties and representations given by Mr Ferriday have not been met.

The shareholders who sold the stake to Mr Stockdale are not believed to be happy. Nor are most of the 33,000 private shareholders in Eagle who have seen the shares suspended in May and have heard nothing but bad news since. They will be hoping that Eagle does not turn out to be a dead duck.

Philip Coggan

ONE COMPANY which is likely to form a significant part of the Department of Trade and Industry's investigations into Eagle is Ryco, a Jersey-based trust. Ryco was appointed as "bank handling agent" by Eagle in 1987 and kept records showing a detailed breakdown of the funding of the Laforza car project.

A number of companies with the same Jersey address as Ryco have also been involved with Eagle Trust. Ithaca Investments and Tuscon Investments were described as directors of Landsaver, a former Eagle subsidiary which went into liquidation.

MCP, the vehicle for Mr John Ferriday and Mr Richard Smith which was one of the companies that merged to form Eagle Trust, planned to buy a Northampton-based engineering company called Hart-Lonex Engineering in late 1986. But in the middle of discussions, the vendors found that the name of the purchaser was in fact HiLo Holdings, a Jersey-based company with the same address as Ryco. Hart-Lonex, renamed as Hilo Engineering, has since gone into voluntary liquidation.

SA Ansed General Investments, SA Argonaut Global Investments, International Fiduciary Management, Tudor and Alpine Trust were all investors in Eagle in December 1987, shortly after the Crash. All were listed at the same address as Ryco.

Ryco itself owned 2.8m shares in December 1987 and Mr Rodger Young, a founding shareholder of Ryco, which was formerly known as R Young & Co, owned 28,000 shares.

Mr Young has refused to answer questions on his links with Eagle, either on the telephone or in person at his Jersey address.

Philip Coggan

Ferriday and Smith — a high-flying and dynamic duo who earned their wealth and flaunted it

"LOOKING BACK on life, I suppose John [Ferriday] and myself have made it because we were crazy enough to gamble until we made it really big. But there were times when we gambled, mortgaged our homes to the hilt, and everything could easily have gone."

Mr Richard Smith, one of the two Midlands businessmen behind the creation of Eagle

My company cares not if you are the Lord Chancellor or an illiterate punk rocker. Same fare, same loving care, same rules. The refusal to carry out the captain's lawful order renders you liable to incarceration, and deservedly so

Trust, was in buoyant spirits when he made these typically upbeat remarks in an interview with The Birmingham Post a year ago.

This week, Mr Ferriday and Mr Smith have declined to respond to a series of interview requests delivered to their offices and homes. But their powerful personalities emerged clearly during the days when they courted publicity.

Essentially, their stories are of local boys made good. Both came from humble working-class backgrounds and shared a determination to succeed.

Wealth came their way, they were not embarrassed to have it, nor ashamed to flaunt it. They were happy to be photographed with their matching pair of Rolls-Royces, and both spoke of their other expensive cars, the helicopter, the executive jet, their luxurious houses in Shropshire and Birmingham.

Mr Ferriday, now 45, is regarded as the brains behind the duo.

He was the first member of his family to pass from secondary modern school to university, studying metallurgy at Aston University in Birmingham. He went on to pursue the subject as career, only later starting to dabble in the property market around his native Shropshire.

Mr Smith, now 38, is seen as the one with the street-wise skills.

He left school without qualifications and trained as an industrial heating engineer, studying for his City and Guilds. He opened his first business in Wombourne, Wolverhampton, as a self-employed heating engineer before moving out to Telford, Shropshire, and setting up as a builders' and plumbers' merchant.

His entrepreneurial flair emerged at an early age. Privately, he used to tell how he started a window-cleaning round at school, and then subcontracted it to a mate. He then started more rounds, and began sub-contracting those, until a band of professional window cleaners descended on his home complaining that they were in danger of being put out of business.

John Ferriday (left) and Richard Smith — we gambled until we made it really big.

Mr Smith first met his future business associate when Mr Ferriday, in his role as a small-time property developer, became a customer of his in Telford. The two became friends, and, in time, partners.

People who know Mr Ferriday and Mr Smith say the pair first established themselves in the Shropshire property market by buying the houses of people who had died.

By approaching relatives of the deceased with cash offers, they were able simultaneously to relieve the bereaved of a troublesome sale and make a profit for themselves by re-selling the house at a higher price.

Their property dealing activities expanded and diversified into industrial estates and residential development. Indian restaurants and a nightclub in Wellington also figured among the partners' diverse interests. If there was a deal to be done, Shropshire locals say, Mr Ferriday and Mr Smith were often looking at it.

Eventually, in 1983, the two rolled up a large part of their business interests into a single larger company called Midland City Partnership.

In typical renegade style, the name of the company itself was a joke. "We wanted to call the company Male Chauvinist Pig," Mr Ferriday told the Financial Times in 1987, "and we found some words that fitted the same initials."

A year later Mr Ferriday, married with one daughter, was still offending feminist sensitivities when he told the Sunday Times of his fondness for women.

"Everyone knows I like the ladies, as long as they're over the age of consent," he was quoted as saying. "There's only two things, squash and the ladies, that can lever my mind away from business."

In spite of his apparent flamboyancy, however, Mr Ferriday also has a puritanical streak.

Almost teetotal and reportedly vegetarian, he is also regarded as a fanatical anti-smoker following incidents on aircraft operated by another of his business interests: Paramount Airways, Britain's first non-smoking airline.

The most celebrated of these was when a female passenger aboard one of Paramount's flights lit a cigarette to calm her nerves. The pilot threatened to ground the flight unless she stubbed it out. Her lawyer husband, who later had the temerity to write a letter of complaint to Mr Ferriday, received a majestic rebuke.

"You and your wife appear to think you have a God-given right to pollute your neighbours' atmosphere. Believe me, you have not, especially when you travel on any of my hardware worth $28m apiece," Mr Ferriday replied.

"My company cares not if you are the Lord Chancellor or an illiterate punk rocker. Same fare, same loving care, same rules. The refusal to carry out the captain's lawful order renders you liable to incarceration, and deservedly so."

Richard Tomkins

A boyhood dream of flight brought crashing back to earth

THE APPARENT confusion over Eagle Trust's affairs is mirrored by the unhappy sequence of events at another company controlled by Mr John Ferriday and Mr Richard Smith.

Paramount Airways is a charter airline operating five aircraft out of Birmingham and Bristol airports and, until a few weeks ago, was almost wholly owned by Mr Ferriday and Mr Smith.

Then they agreed to sell a controlling stake. But only days after the deal was done, administrators had to be appointed to save the airline from insolvency, throwing a total of 150,000 holidays into jeopardy.

Paramount was founded at the end of 1986 by two Shropshire businessmen, Mr Ray Peel and Mr Roy Steptoe. Lacking the capital to develop the airline themselves, they did a deal through which fellow Salopians Mr Ferriday and Mr Smith provided financial backing in return for a controlling stake.

Mr Ferriday's special interest in the airline stemmed from a boyhood fascination with aircraft that had lasted into adult life. Yet he and Mr Smith mostly stayed in the background, leaving Mr Peel — still Paramount's chief executive — to run the company.

Mr Ferriday did, however, drop his non-interventionist stance whenever the glare of publicity fell on his airline. This was mainly when passengers broke his strict no-smoking rule — for example, in November last year when a Corfu-Glasgow flight made an unexpected landing at Amsterdam to eject five defiant smokers.

It is not yet clear why Mr Ferriday and Mr Smith decided to sell a controlling stake in Paramount.

Privately, Mr Peel acknowledges that relations between him and the owners had deteriorated in recent months, partly because Mr Ferriday's other business interests diverted his attention from the airline and prevented him from completing paperwork necessary to keep the Civil Aviation Authority satisfied.

In any event, Mr Ferriday and Mr Smith decided to sell 51 per cent of Paramount's shares to Mr Mario Berry, a private British investor.

Mr Berry reportedly obtained the stake last month for a token £1 on the basis that he and his backers planned to invest in the expansion of Paramount. The *quid pro quo* for Mr Ferriday and Mr Smith was that their remaining minority stake would be enhanced in value.

Within days, however, the deal had turned sour.

Mr Berry, through a spokesman, said he was not fully apprised of Paramount's financial position when he agreed to the deal: and when he met the CAA to introduce himself and the other new shareholders, he was surprised to find the authority threatening to withdraw Paramount's air operator's certificate unless adequate funds were provided within six days.

At the same time, Paramount was running into trouble with its customers. Intasun, Owners Abroad and Redwing, concerned at unfolding events, refused to stump up the £4m in advance payments for August flights, so throwing Paramount into a cashflow crisis, undermining the confidence of the new investors, and exacerbating the CAA's concern.

Trapped in a vortex of financial difficulties, Mr Berry readily agreed to hand administrative control to two insolvency partners from the accountancy firm Spicer & Oppenheim. The company is continuing to operate while they try to secure its future.

Out of the several chickens and eggs involved, it is difficult to establish which came first.

It is possible that Paramount was in a sound financial position when Mr Berry took control; that the tour operators took fright because they were uncertain about Mr Berry's plans; and that it was only because the tour operators then suspended payments that Paramount found itself in a financial crisis.

With Mr Berry now licking his wounds in Palma, Majorca, and with Mr Ferriday (according to his office) on holiday, the full story has yet to be told.

But, as with Eagle Trust, one issue that may arise is a dispute over the ownership of shares. Since Mr Berry is asserting that he was misinformed over Paramount's affairs, he may claim that the transfer of Paramount's shares was invalid, leaving the airline still in the ownership of Mr Ferriday and Mr Smith.

Richard Tomkins

Institutions expected to oppose Myson proposal

By Ray Bashford

THE BOARD of Myson, the central heating group, is expected to face opposition from at least two institutions to proposals which will be considered at an extraordinary general meeting today.

Mr Ray Wheeler, chairman and chief executive, and Mr John Salkeld, his deputy, are seeking shareholders' approval to alter a rule and an agreement with the company which would result in their receiving an additional £1.7m.

Blue Circle, the UK's biggest cement group, which holds 29.9 per cent of Myson and has reached agreement for a £195.7m takeover of the group, is likely to abstain from voting at today's meeting.

The Association of British Insurers has held discussions with non-executive directors of Myson and a representative of a major institution about the proposals following criticism of the planned changes.

The directors earlier this month said they had failed to exercise their options before the expiry date of July 8 because of "an oversight."

They also said they "had been under the impression" that their service agreements had been altered to extend their notice period from 12 months to three years.

Shareholders are being asked to sanction exercise of the options and an extension of the service agreements.

Enlarged ABB Kent 15% ahead at £4.37m

By Andrew Hill

ABB KENT (Holdings), the flow meter manufacturer 55 per cent controlled by Asea Brown Boveri, the Swiss/Swedish engineering group, increased pre-tax profits by 15 per cent to £4.37m in the first half of 1989, compared with £3.83m in the equivalent six months.

In July, ABB Kent bought Iberica de Contadores y Aparatos de Precision, a Spanish meter-maker, for Pta2bn (£10.4m).

The acquisition strengthened ABB Kent's position as the world's second largest manufacturer of water meters and challenged Schlumberger, the US oil services group, for the number one position.

The group hopes that UK water authorities will switch to meters as a method of charging for water use after November's flotation.

Authorities cannot use rateable value — the traditional basis for water charges — beyond the end of the century.

ABB Kent said yesterday that orders and sales of water meters in the UK and overseas had increased significantly in the first half. Turnover in control valves also rose on the back of new orders from the oil and chemical industries.

The contribution from instrument products, facing strong US competition, was roughly the same as in the equivalent period. A backlog of weak orders and the cost of restructuring, including a move from the Luton factory, affected results from the control systems division, but ABB Kent said the performance would improve in the second half of the year.

Turnover rose 7 per cent to £77.75m (£63.27m) while earnings per share improved 3.3p to 3.5p. An interim dividend of 1.75p (1.5p) is declared.

Business Technology doubles to £2.2m

Business Technology Group, the electronic office equipment supplier, boosted pre-tax profits from £1m to £2.2m during the six months to June 30 following a rise in turnover to £20m (£11.2m).

The company also announced that Mr Tony Berry, the former chairman of Blue Arrow, has acquired options over 10 per cent of the capital and now has control over 22.3 per cent.

Mr Berry has not sought board representation, although he has signed a consultancy agreement worth £100,000 to himself and other business associates. The interim dividend has been increased to 1.5p (1.25p).

S&N shareholders question sale

Shareholders in Scottish & Newcastle Breweries questioned the group's proposed sale of its Thistle Hotel chain and the strategic move into leisure businesses, including Pontin's and Center Parcs, a Dutch-based holiday company, in which S&N has 65 per cent.

Sir David Nickson, the outgoing chairman, said the board had wanted to realise the asset value of the hotel chain. He said he would expect Pontin's and Center Parcs to be earning an amount not very different from Thistle with about half the amount of capital invested.

Sir David made no announcement about any prospective purchasers of the Thistle chain.

NEWS DIGEST

Cattle's advances to £3.4m

CATTLE'S (HOLDINGS) achieved a 13 per cent increase from £3m to £3.4m in pre-tax profits for the six months to June 30 despite a £1.27m increase in interest charges to £2.9m.

Turnover for the group, which is involved in consumer credit financing, insurance broking, curtain retailing and leisure services, advanced 29 per cent to £83.83m (£64.9m). A number of new offices, were opened by the Swinton insurance division during the year, making a total of 87, and further expansion would take place as opportunities arose, directors said.

Tax took £1.13m (£1.05m) and minorities £57,000 (nil).

An increased interim dividend of 1.375p (1.25p) is being paid from earnings per 10p share of 3.24p (3.23p).

BPP profits 28% higher at £0.9m

BPP Holdings, the financial training and publishing group, yesterday reported pre-tax profits 28 per cent higher at £858,000 for the six months to end-June.

The increase from the £670,000 achieved in the comparable period of 1988 came on turnover of £5.78m (£4.27m).

Earnings per 10p share expanded to 10.2p (8.5p) and the interim dividend is lifted from 2.4p to 4p. The directors propose a 1-for-1 scrip issue.

Grafton trebled to over I£1.5m

Grafton Group, the Dublin-based builders' and plumbers' merchants, lifted taxable profits from I£507,000 to I£1.51m (£1.32m) in the first half of 1989.

Sales, reflecting a buoyant Irish construction market, expanded 36 per cent to £33.06m (£24.25m). Tax was estimated at £529,000 (£152,000) leaving earnings of 7.9p (2.9p) per share.

The interim dividend is raised 0.5p to 2p.

Scottish Investment assets up 21.5%

Scottish Investment Trust reported an increase in net asset value to 201.9p at July 31, against 116.5p a year earlier.

Revenue before tax for the nine months to end-July came out at £10.31m (£8.5m).

Total assets at market valuation increased 21.5 per cent to £568.3m. The company is continuing to build up its interests in continental Europe and has reduced its holdings in Japan.

Interest rates and CFC fears hit Lec

A combination of high interest rates and environmental concerns about the use of chlorofluorocarbons — CFCs are used in refrigerators and are thought to damage the ozone layer — conspired to reduce pre-tax profits at Lec Refrigeration from £1.98m to £339,000 in the first half of 1989.

The shares fell 45p to 258p but recovered later to 273p.

Described as "very disappointing", the profits were struck on turnover of £24.43m (£27.53m). Cost reduction measures have since been implemented, all products are now made with 50 per cent less CFCs and CFC recovery units have been developed.

Earnings were sliced to 3.52p (21.05p) although the interim dividend is maintained at 4p.

Gold & Base Mines net assets increase

Taking investments at market value, net assets of Gold & Base Metal Mines, an investment holding company, were 17.46p per share at June 30 — up from 15.49p a year earlier.

Earnings for the first half of 1989 declined slightly to 0.22p (0.32p). Directors said that, subject to unforeseen circumstances and no large adverse exchange rate movements, they expect to at least maintain the dividend at last year's level of 0.4p.

Buoyant order intake at Dowty

Lord Horrowby, chairman of Dowty Group, told the annual meeting that the order position was holding up well and that both deliveries and order intake during the first quarter were up on the comparable period of the previous year.

The group's business profile, he said, was now such that it had many strong characteristics in the longevity of the programmes on which aerospace and electronic systems businesses were now engaged — anything up to 40 years with product support.

"In it and polymers", Lord Horrowby concluded, "we are in business segments which have excellent growth prospects."

Louis Newmark profit warning

Shares of Louis Newmark, the electronic and precision engineer and watch distributor, fell 15p to close at 275p after the group announced lower profits and warned that future results would be depressed by its Newmark Technology offshoot.

In the year to April 1 pre-tax profits fell from £1.35m to £955,000 on turnover of £41.97m (£45.33m).

Earnings per share were 19.1p (30p) and with a proposed unchanged final dividend of 9.4p the total is being maintained at 14.7p. There was an extraordinary credit of £1.1m (£62,000 debit).

London Finance rises to £0.7m

Profits of the London Finance and Investment Group rose from £267,300 to £709,000 pre-tax for the first six months of 1989.

Interest and sundry income advanced strongly to £514,600 (£154,900) and profits on the disposal of investments increased by £113,200 to £141,800.

Tax of £204,600 (£96,800) left earnings at 2.02p (0.76p). The board expects to at least maintain the dividend for the year at 1.2p. Net assets per 5p share were 38.56p (30.27p) at June 30. At December 31 the figure stood at 70.72p.

Bowater silent on Norton

Bowater Industries, the packaging and industrial products group which owns 25.6 per cent of Norton Opax, said yesterday it would not comment on Norton's bid for security printer De La Rue until after the offer documents had been posted and it had been briefed by Norton's management.

Bowater's strategy has baffled analysts since it bought the stake in January and the De La Rue bid puts the group on the spot.

If Norton, a specialist printing and packaging group, succeeds, Bowater's holding would be diluted to about 13 per cent — below the level at which it could consolidate a share of Norton's profits in its own accounts. Alternatively, it could mount a spoiling bid for Norton.

UK COMPANY NEWS

Bracing for a fight over stopping the clock

Nikki Tait examines the Takeover Panel's unenviable decision over the BAT bid

IT IS no accident that Hoylake sent its submission to the Takeover Panel, asking for an extension to its offer, on Wednesday – only 15 days into the bid.

Such is the scale of the offer that if Hoylake wished to underwrite the all-paper offer – in whole or in part – the cost could run to several hundred million pounds.

Under the current timetable that is a decision which would have to be taken by September 23. But if, at that stage, the bidder still has little idea whether the offer is set to gain the necessary clearance from the US insurance commissioners in respect of Farmers Group, BAT's US insurance subsidiary, the feasibility and wisdom of risking those sums must look questionable.

The coincidence of the Hoylake submission and the simultaneous announcement of Axa Midi's agreement to purchase Farmers Group may also have been more than fortuitous. Clearly, the bidder must hope that this conditional pre-sale to what is undeniably an established organisation will incline the UK authorities to think that the US regulatory hurdles would eventually be overcome if time was no object.

No doubt part of the Hoylake case will rest on the contention that BAT has been taking "thwarting action" in the US, and hence Hoylake's passage there has been held up. That, in turn, will raise questions of what constitutes valid lobbying action, or what legal steps BAT/Farmers can justifiably take to protect the insurance company's policyholders.

The two sides have been limbering up for this fight for some time. Hoylake is understood to have been looking carefully at BAT's US activities, compiling what it believes is evidence of frustration – lobbying activity, legal requests for extensive discovery and the like.

BAT, by contrast, can be expected to point to the deficiencies in Hoylake's initial filings with the insurance regulators and that a pre-sale could have been lined up ahead of the bid's announcement – in short, that Hoylake, had it been more organised, could have moved more quickly.

The task of the Panel, shifting through such arguments, does not look enviable. It is by no means unknown for timetables to be extended, especially where both companies concerned have given their consent. However, while adding the odd day or two to the clock might pose relatively few problems, it is the uncertain, and possibly substantial, length of the extension in this case which gives the added twist to the current situation.

In principle, that might be expected to find less favour with the authorities.

In 1986, there was one vaguely similar precedent when Lloyds Bank wanted more time to complete a bid for Standard Chartered because of the lengthy regulatory process involving Standard's Union Bank, one of the largest in California. In the final throes of the offer period the Panel said that it might grant an extension if enough Standard shareholders accepted the offer and there was evidence that US authorities were close to giving the go-ahead. (The offer, however, eventually lapsed and this was not tested).

Even then, the indications at the time were that any extension would only be envisaged for a couple of weeks. Hoylake might need rather more than that and is by no means at the end of the bid timetable.

More recently, in the case of Minorco's attack on Consolidated Gold Fields, the Panel did require the defending group to either drop certain legal action which it had taken in the US or to win approval for this from shareholders – and gave a potential three-week extension for a special shareholders' meeting to be called. Again, however, the extension would have been for a specific period, and was given at the end of a timetable.

In the event, Gold Fields dropped the action, the bid reverted to its original deadline, and the offer was duly foiled by legal action taken by Newmont, viewed by the Panel as a "third party".

In that instance Lord Alexander, the Panel chairman, described it as "a most difficult case" and very exceptional. Although the current situation is far from a carbon copy, it has sufficient similarities to suggest that the decisions will be no simpler.

SIR JAMES GOLDSMITH'S plan to pre-sell the US insurance subsidiary of BAT Industries to a French insurer is an attempt to cut through the US regulatory thicket which threatens to entangle his £13.5bn takeover bid for BAT, writes James Buchan in New York.

The plan to sell Farmers Group to Axa Midi Assurances of France for $4.5bn in cash and securities will not only raise capital for the bid but is supposed to win over the insurance authorities in the nine US states where Farmers does business.

Under state holding company laws, commissioners must approve a change in control at a local insurance operation. The Goldsmith group, Hoylake, desperately needs all approvals in time for a deadline set by the Takeover Panel.

But some people in insurance regulation in the US warned yesterday that the proposed sale might merely complicate the approval process. "It doesn't sound like it makes life simpler for Hoylake," said Mr David Simmons, general counsel for the National Association of Insurance Commissioners.

Hoylake, which says it does not want Farmers, earlier this month said it would set up a three-person trust to look after the interests of Farmers' policyholders until the business can be sold. It has tried to chivvy the commissioners by suing them, arguing that they are meddling in international commerce which is the business of federal courts.

The proposed Axa Midi deal is a third front in this strategy. It is designed to show that the voting trust can not only sell on Farmers with ease but to a financially sound company. Hoylake apparently hopes that this will overcome fears of some commissioners that Farmers will be sold to an excessively leveraged or disreputable company.

But people involved in insurance regulation say that Hoylake will now have to file additional material on Axa to the commissioners and go through a process of public hearings as before. "They still have to go through the approval process," said Mr Joseph Hennelly, deputy director of insurance for Arizona.

Higher interest charges hold Britannia Arrow to £16.5m

By Clay Harris

BRITANNIA ARROW Holdings, the fund management and financial services group, increased interim pre-tax profits by 5 per cent to £16.5m. The result is still less than two thirds the level reached in the pre-crash first half of 1987.

Worldwide funds under management grew to £22.1bn (£18.2bn) at June 30. Turnover rose to £488.08m (£439.96m).

The profits advance from £15.7m was limited by a near-trebling in the interest bill to £3.37m and a fall in investment and other income from £3.61m to £1.66m.

Both reflected the cost of Britannia's $133m (£75m) purchase of the outstanding 55 per cent of Invesco, the US pension and mutual funds manager, last November.

The acquisition has been rewarded, however, with a 74 per cent rise from £5.6m to £9.74m in profits from international investment management. This reflected healthy organic growth as well as the effect of full ownership, Britannia said.

However, Invesco's Financial Programs mutual fund subsidiary had experienced a disappointing initial response to its introduction of load-funds. Its products have traditionally carried no front-end charges.

Profits from investment management in the UK and Jersey rose by 18 per cent to just short of £9.2m (£7.82m). The group said this considerably understated the underlying improvement from the 1988 half because of costs associated with the intervening implementation of the Financial Services Act.

Insurance operations contributed profits of only £157,000 (£663,000), although Britannia does not include results of National Employers Life at the half-way stage pending the annual actuarial review. It warned, however, of "significant initial costs" from an imminent restructuring, but Lord Stevens, chairman, said he was confident that long-term benefits would be considerable.

The interim dividend remains at 2.3p. Basic earnings per share edged ahead to 4.9p (4.7p); fully diluted eps was unchanged at 4.5p.

● COMMENT

When the results failed to match some of the more hopeful forecasts – predicated on the belief that Britannia's recovery would more closely track that of world market activity – the shares slipped 2p to 127p. The apparent lag is no reason for concern, however, as the Invesco deal now looks extremely well-struck and should certainly not dilute earnings. Allowing for the possibility that – depending on where restructuring costs are taken – insurance will only break even after profits of £1.5m in 1988, £32m pre-tax still looks like a safe target. This puts the shares on a fully diluted prospective p/e of just over 13, and allows for a pleasant surprise come March.

Brussels set to clear Plessey bid

By Tim Dickson in Brussels

THE EUROPEAN Commission appears poised to give its final clearance to the £2bn bid for Plessey by Siemens and the General Electric Company.

Officials in Brussels hope that the approval will be confirmed by so called "written procedure" in the next few days - a process which requires the unanimous consent of the 17 Commissioners - or at the latest that it will be agreed at the next full meeting of the Commission on September 6.

Sir Leon Brittan, the EC's competition commissioner, gave Brussels' provisional blessing to the proposed takeover in mid- April on condition that Plessey's semiconductor business was maintained as a separate operation.

At the time, the bid had lapsed pending the outcome of a parallel investigation by Britain's Monopolies and Mergers Commission, but with the shape of the revised offer announced this month similar to the earlier one it was widely assumed that no further EC obstacles would need to be crossed.

Brussels originally became involved in the saga on two counts - firstly because GEC and Siemens sought to ensure that they were not infringing the competition rules of the Treaty of Rome, and secondly because Plessey lodged a complaint that the takeover would break up the EC's only big vertically integrated electronics concern and thus damage the Community's strategic interests.

It is believed that Brussels has been mainly concerned to clarify the position with regard to Plessey's defence interests, notably to ensure that the undertakings given to the MMC were strictly related to this sector and did not have implications for other parts of the business. Now that the Commission has satisfied itself on this point, one official explained last night, "it is hard to see what other factors could complicate things at this stage."

There is a certain amount of urgency for the Commission to take its decision given that that first closing date for the revised GEC/Siemens offer is September 7. Brussels is anxious that Plessey should have the chance, if it wishes, to make a last appeal to the European Court of Justice in Luxembourg.

Axa Midi plans to compete with the giants

TWO MONTHS ago, Mr Claude Bébéar, chairman of France's Axa Midi insurance group, said that he was ready to put $1bn (£640m) on the table to expand into the US market.

This week, Axa agreed to put up that amount in Hoylake, the vehicle through which Sir James Goldsmith is bidding to take control of BAT Industries, and to pay another $4.5bn for BAT's US insurance subsidiary, Farmers Group, if the Hoylake bid is successful.

Mr Bébéar has already built up his group into France's second largest insurer, behind the state-owned Union des Assurances de Paris (UAP), with a string of acquisitions culminating in a merger last year with Compagnie du Midi, whose insurance subsidiary AGP has now joined Mr Bébéar's existing subsidiaries to form Axa Midi Assurances, the group's main insurance holding company.

With Farmers Axa would nearly double in size, moving in a single step into the league of insurance giants with which Mr Bébéar is determined to compete. He has repeatedly stated his intention to build Axa into a group that counts on the world scale, with an even balance between French and foreign operations.

Unlike his French rivals such as UAP or Assurances Générales de France (AGF), Mr Bébéar is not preoccupied only with the European market. He said yesterday that Sir James had contacted him to discuss the purchase of one or other of BAT's insurance subsidiaries, and that Farmers had quickly appeared to be the top priority.

"On the American market, you are not often offered an opportunity like Farmers," he told the Financial Times yesterday.

Financial analysts have expressed a number of doubts about Axa's capacity to absorb the purchase, both in financial and business terms. A number of brokers immediately advised their clients to sell the group's shares in anticipation of a large rights issue.

Mr Bébéar yesterday appeared calm about the financing of the acquisition, for which he has lined up the Paribas investment banking group, another backer of the Hoylake consortium and one of the main shareholders in the Midi company, intermediate in Axa's many-tiered corporate structure.

"We will pay half in cash, and the rest over two or three years from our capital and from loans issued in particular on the American market," he said, adding that some fiscal and regulatory problems had to be settled before he could reveal the complete financial montage.

He ruled out a rights issue at the level of Midi, currently the principal listed company. Some of the loan finance could in time be converted into equity, however, with Axa Midi Assurance becoming the main listed insurance vehicle for the group.

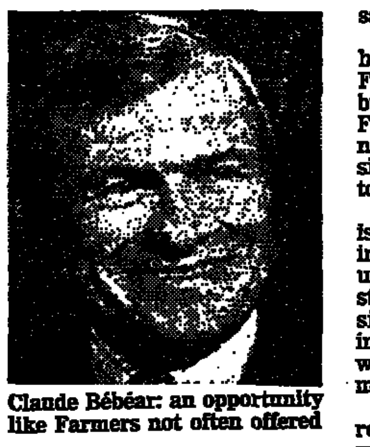
Remaining at Mr Bébéar's disposal, of course, is the portfolio of industrial holdings he took over with Midi when he won control of the company after a proxy fight with Mr Bernard Pagézy. This includes 14 per cent of Ciments Français, the number two French cement producer, and 33 per cent of the Delmas-Vieljeux shipping group, each worth around FFr1.6bn (£154m) at current stock market prices, as well as 65 per cent of the seeds group Clause, which has several eager suitors, and SBGI, the leading West African brewer.

Mr Bébéar insisted, however, that there was no need for hurried disposals at bargain basement prices, though over the longer term he still plans to reduce the industrial side of the group's holdings.

"We have no need to raise cash at speed," he said.

As a lover of fine claret, Mr Bébéar seems unlikely, in any case, to part with Chateau Cantenac-Brown, the Bordeaux chateau which Mr Pagézy snatched from under his nose in an earlier tussle.

On the management side,



Clande Bébéar: an opportunity like Farmers not often offered

the questions may be more difficult to answer. Mr Bébéar is widely rated by his peers as the most effective insurance manager in France, but the breathtaking speed at which Axa has made its acquisitions has meant that the process of absorbing the new subsidiaries is far from complete.

The group is now regrouping its network of around 4,000 tied agents, nearly a quarter of France's total for a market share of only 10 per cent. At the same time, Axa is working to restructure its activities, dividing up operations by sales technique.

Uni-Europe, already in operation, works with independent brokers; Axa-Assurances,

Farmers, in Mr Bébéar's view, does not present the same problems of integration.

"It would be annoying if we had to detach managers from France to reorganise the US, but that is not the case. In fact, Farmers' experience with a network of tied agents very similar to ours could be useful to us," he said.

Lurking in the background is Generali, the largest Italian insurer which gradually built up a threatening 16 per cent stake in Midi – largely responsible for driving Mr Pagézy into Mr Bébéar's arms – and which remains the principal minority shareholder.

The two groups last month reached a comprehensive working agreement intended to govern their future relationship: this would involve setting up a joint company controlled by Axa to hold their combined stakes in Midi, and a second joint company controlled by much the largest division, will cover the tied agent network and should be operational next year; and a third unit will cover new distribution outlets such as direct mail, retailers or banks.

Mr Bébéar said the process would take another year and a half, but Axa executives do not disguise the difficulty of integrating the group's different divisions.

Generali to acquire stakes in other insurance operations.

George Graham

Wates City recovers to £6.5m

By Paul Cheeseright, Property Correspondent

WATES CITY of London Properties, the only development company to concentrate completely on the City, made pre-tax profits of £6.45m for the six months to June, substantially higher than the underlying earnings in the 1988 first half but sharply down in absolute terms.

Pre-tax profits for the 1988 first half were £24.6m but over £20m of that came from an extraordinary property sale.

The interim dividend is 0.77p, the same as last year when the total payment turned out at 3.08p.

Although there is some concern about the speed of property development in and around the City, Wates has continued to expand its own centrally-based programme. Its last published net asset value per share was 264.8p and this is expected to rise over the current year to about 285p.

The figure will be influenced to some degree by the amount of shares Wates has been buying in. It has been a regular visitor to the market and in the first half bought in and cancelled a further 500,000 at a cost of £946,000.

The share price yesterday ended 1p lower at 199p.

Setback for SEET

Reduced pre-tax profits of £202,000 compared with £813,000, were announced by Scottish, English and European Textiles for the year to April 30 on turnover down from £10.19m to £9.52m.

Earnings per share were sharply down at 2.32p (10.6p), but the dividend was maintained at 3.7p.

Although the company's textiles had a strong year, a reduced contribution was expected this year. The company warned that demand for Harris Tweed had been especially hard hit, with current output at its lowest since 1976.

DIVIDENDS ANNOUNCED

ABB Kent	int	1.75	Jan 2	1.5	-	3.5	
BPP	int	4†	Oct 26	3.4	-	8.4	
Bridon	int	2.5	-	2	-	7	
Britannia Arrow	int	2.3	Oct 23	2.3	-	5.5	
British Assets	int	0.85	-	0.7	-	2.7	
Business Tech §	int	1.5†	Oct 2	1.25	-	3	
Cattle's (Hldgs)	int	1.375†	Oct 6	1.25	-	3.25	
CSC Inv Trust	int	4.2	-	4.2	-	10.95	
Grafton Group	int	2♣	Sept 30	1.5	-	4	
Investors Cap	int	4.3	Sept 27	3.8	-	14.8	
Lec Refrig	int	4	Oct 14	4	-	14.5	
Marley	int	2.1☆	Oct 31	2.1	-	6.35	
Newmark (Louis)	fin	9.4	-	9.4	14.7	14.7	
SEET	fin	3.7	Oct 3	3.7	5.4	5.3	
Wates City Lnd	int	0.77	-	0.77	-	3.08	

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Conway Pwcolsum, Inch Kenneth Kajang Rubber, Jourdan (Thomas), Mackay

(Hugh), Scottish Ice Rink, Tilbury International, Ellis & Wilcox

FUTURE DATES

Interims-	
Bestwood	Aug. 31
Brook Service	Oct. 2
Gowrings	Sep. 5
Lopex	Sep. 6
Marylebone Estates	Sep. 15
Pentos	Sep. 1
Propeller	Aug. 29
Wilkes (James)	Sep. 4
Woodchester Inv	Aug. 29

Tiphook's £12m buy doubles its rail rental fleet

By Andrew Hill

TIPHOOK, the container rental company involved in a $1.02bn (£652m) bid for Sea Containers, has more than doubled its rail wagon rental fleet, buying three companies for a total of £12m including debt.

It has bought Railease, with a fleet of 650 wagons, and Standard Railfreight, with operates 181 from Mercantile Group, part of the Barclays banking group, for £965,000 cash.

It is also assuming a total of £6.5m of net debt which was due to Mercantile but has been refinanced within Barclays.

Both Railease and Standard are subsidiaries of Mercantile's Standard Railway Wagon Company, the remainder of which has been bought by a subsidiary of Powell Duffryn.

Tiphook is also buying Powell Duffryn's 120-unit rail wagon fleet for £4.5m cash.

All the companies will join Tiphook Rail, which already owns a fleet of 600 rail wagons for rental throughout Europe.

Chiltern Radio plans to go public to beat Crown offer

By John Ridding

CHILTERN RADIO, a private radio company which operates in several counties to the north of London, yesterday announced plans to go public in an attempt to defeat a partial offer from Crown Communications, the commercial radio and broadcasting group.

Chiltern's board rejected as inadequate and unwelcome the £10 per share offer from Crown aimed at raising its stake from 9.3 per cent to 29.99 per cent, the maximum permitted under Independent Broadcasting Authority regulations.

It said it would seek a flotation "at the earliest practicable opportunity" and that it was confident the shares would fetch a price in excess of Crown's offer.

Mr Peter Burton, Chiltern's chairman, said that Crown's offer was too low. "The historic exit multiple of 17.9 times earnings offered by Crown is clearly inadequate when compared with the average historic price earnings multiple of 24.7 times for comparable quoted local radio companies."

Mr Christopher Chataway, Crown's chairman, said he was surprised that the offer was regarded as inadequate when Chiltern had last month offered a price of 770p per share to buy back Crown's holding.

Chiltern's defence document emphasises the company's performance since its formation in 1981. Its interests have been expanded through acquisitions including Northamptonshire Broadcasting Company and a new franchise in Kettering.

It says that in the four years to September 30 1988, earnings per share and dividends have grown at a compound annual rate of 67 per cent and 49 per cent respectively. In the six months to March 31, pre-tax profits increased by 43 per cent to £281,354.

Mr Burton said that the group had not yet decided whether it would seek a full quotation or a USM listing.

Untwined Bridon advances 18% to £7.9m

By John Ridding

BRIDON, the Doncaster-based wire rope manufacturer, yesterday announced an 18 per cent increase from £6.7m to £7.9m in pre-tax profits for the six months to June 30. The shares rose 9p to 205p.

The results reflected higher trading profits from all the group's principal activities and included contributions from three subsidiaries of TWIL, the UK's largest wire manufacturer, which were acquired in March.

The acquisitions formed part of a complex deal in which Bridon sold its 40 per cent stake in TWIL and received £25.5m cash.

According to Mr Graham Beswick, finance director, the three companies – Fox Wire, Johnson & Nephew (Ambergate), and Lionweld Kennedy – added more to profits than was lost through TWIL's previous contribution as a related company. This means that they contributed in excess of £1.3m to trading profits of £8.3m (£4.5m).

Despite the proceeds from the disposal of the TWIL stake the increase in capital expenditure from £4.6m to £8m, and the impact of higher interest rates, caused interest charges to rise to £2.5m (£1.5m).

Mr Beswick said that the investment was used to increase efficiency and to develop new products. These included the manufacture of fine wire and galvanised wire in the US.

In the wire and wire rope division, profits increased from £2.3m to £4.7m. This included an increase in the US contribution from £100,000 to £500,000.

Fibres increased profits from £1.3m to £1.5m, despite lower prices for baler twine in Europe. The engineering division increased profits from £400,000 to £1.2m.

Turnover rose by 37 per cent to £148.9m. Earnings per share increased by 30 per cent to 10.5p and there is an interim dividend of 2.5p (2p).

● COMMENT

Bridon achieved a bargain in untwining itself from TWIL. The new companies are adding more than the TWIL stake did and were a factor in raising trading margins from 4.1 per cent to 5.6 per cent. In addition, the cash receipts have permitted a high level of capital expenditure which is further improving profitability. With annual production of wire rope per employee now at about 96 tons, compared with 69 tons in 1987, it is one of the most efficient producers in the UK as well as being the largest. Hence, while competitors may be forced out of the over-supplied market, Bridon is in a relatively strong position. By the year end, gearing should be down to about 20 per cent which, with three properties to be disposed of, implies adequate funds to buy up more distribution outlets or expand in existing businesses. With full year pre-tax profits of £16.5m in sight, the shares are looking cheap on a prospective multiple of 9.5.

COMMODITIES AND AGRICULTURE

Copper prices climb to fresh 5-month high

By Richard Mooney

COPPER PRICES climbed to fresh 5-month highs on the London Metal Exchange yesterday, shrugging off claims that the Peruvian miners' strike was running out of steam. The cash quotation ended the day £40.50 up at £1,917.50 a tonne, while the three months price gained £23 to £1,861.50 a tonne.

Overnight reports had quoted Centromin, Peru's biggest mining company, as saying that most of its workers had abandoned the indefinite strike which started at the beginning of last week.

"Most of our workers have resumed their jobs in the last few days," Mr Emilio Solorzano, public relations manager of the state-owned company, told the Reuters news agency in Lima.

"I consider that the miners' strike has failed because most of our workers did not abide to the strike call," he said. The Centromin mine worst affected by the strike was Cobriza, Mr Solorzano said, but he hoped striking miners there would soon return to work.

Peru supplies 11.5 per cent of the non-communist world's zinc, 6 per cent of its lead and more than 5 per cent of its copper, so the strike has made for considerable nervousness on the metals markets, in spite of conflicting reports from management and unions about its effectiveness.

That has been particularly true of the copper market, which has been afflicted by a catalogue of supply disruptions in recent months.

The sabotaged 180,000-tonnes-a-year Bougainville mine in Papua New Guinea has still not been brought back into operation, while the strike at Canada's 170,000-tonnes-a-year Highland valley mine is moving towards its eighth week. In Mexico a threatened strike at the 160,000-tonnes-a-year Cananea mine has resulted in the operation being declared bankrupt and other Mexican miners threatening to strike in sympathy with their displaced colleagues.

● Robert Gibbens writes in Montreal: Highland Valley Copper Partnership and the United Steelworkers of America returned to the bargaining table yesterday in a new attempt to settle the 7-week strike at the big Logan Lake mine in southern British Columbia.

The remaining issue is pay. The company has said the union is demanding excessive increases.

ICCO raises cocoa surplus estimate

By Richard Mooney

THE INTERNATIONAL Cocoa Organisation (ICCO) has increased its estimate of the 1988-89 world cocoa surplus to a record 263,00 tonnes from the 223,000 tonnes it was forecasting in May. But that is still well below the 309,000 tonnes estimated by London trade house Gill & Duffus in its June market report.

The surplus will be the fifth in succession, following the 190,000 tonnes estimated by the ICCO for the 1987-88 season, itself up 10,000 tonnes from the May estimate. In June Gill & Duffus estimated the 1987-88 surplus at 180,000 tonnes.

The ICCO attributes the increased estimate chiefly to production rises in the Ivory Coast, Nigeria and Malaysia. It puts gross cocoa bean production in the 1988-89 season at a record 2.4m tonnes, up from 2.21m in 1987-88, and world grindings at 2.11m tonnes, up from 1.99m in 1987-88. The effective surplus is reached by reducing gross production by 1 per cent (for loss of weight in processing) and subtracting the grindings figure.

Gill & Duffus's June estimate for the gross world crop was more or less the same as the ICCO's at 2.402m tonnes, but its grindings forecast was 41,000 tonnes lower at 2.069m.

On the London futures market, meanwhile, cocoa prices came under renewed pressure as the bleak fundamental outlook, as underlined by the ICCO figures, reasserted itself. Dealers said pessimism about the prospects for next month's ICCO talks on reviving the moribund International Cocoa Agreement, was also weighing on the market, especially as Malaysia, the fourth biggest producer, had not responded well to overtures for it to join the accord.

The technical correction of the previous two days ran into profit-taking in the morning and the December futures position dipped to £807 a tonne, just above the two-month low reached on Tuesday. By the close, however, the price had recovered to £818 a tonne, down £14 on the day.

Merger aims to boost embryo development

By Bridget Bloom, Agriculture Correspondent

DIFFICULTIES and delays in implementing new technology to enable the test-tube production of embryo calves have led to the merger of two animal biotechnology companies.

Animal Bio-technology of Cambridge (ABC) and Ovamass Embryos, part of the Irish Masstock group, announced a merger yesterday which will involve the rationalisation of aspects of each company's operations.

According to Mr Philip Paxman, Chairman of ABC, the merger will allow the two companies to overcome problems both in perfecting techniques for mass-producing calf embryos and for storing and distributing them.

The two companies are believed to have spent some £3m to £4m on development programmes designed to provide calf embryos for sale to farmers.

A race between them to be the first on the market developed early in 1988, with ABC then predicting sales beginning in the autumn.

However, yesterday Mr Paxman acknowledged that "pioneering and commercialising such new technology" had proved "a very tough job where fingers can get burned." He hoped the merger would enable to programme to get more quickly off the ground, making the merged companies more competitive in the run-up to the creation of the single European market in 1992.

The new technology on which both companies had been working aims to produce in test tubes calf embryos from genetically sound stock, which are then implanted into non-pedigree cows to produce top quality beef or dairy animals.

Previously, embryos for transplantation have had to start life in other cows. With the new techniques, embryos are taken from a dead cow, fertilised in vitro and cultured there continuously until implantation or freezing for later use.

Under commercial production, it is thought that such embryos would be much cheaper than a conventionally produced embryo though still much more expensive than artificial insemination.

Britain's AI market is currently estimated at £30m a year, although the world-wide market is put at some £1bn. The two companies, which have claimed world leadership in the new techniques, clearly have high hopes of exports, especially to markets, like those in the Soviet Union and Eastern Europe, where dairy herds are low yielding.

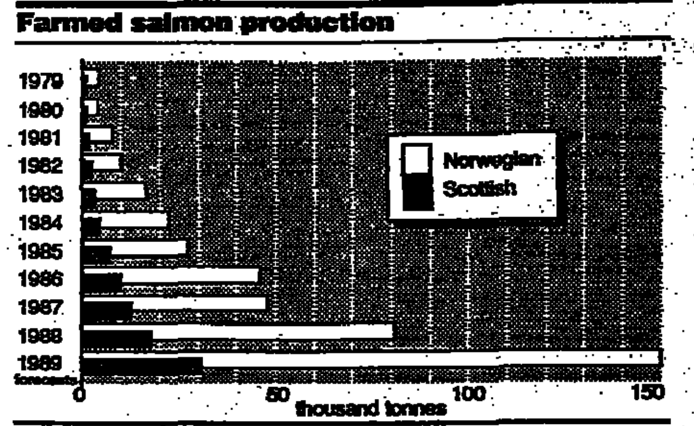
Salmon farmers lose chance of a rich catch

James Buxton on how Norwegian overproduction has unsettled a growing industry

SALMON FARMERS in Norway and Scotland, until a year or so ago the confident pioneers of a rapidly growing industry, are these days an unhappy bunch.

A collapse in the price of farmed salmon has caused serious financial problems for salmon farmers on both sides of the North Sea, with some of them being forced out of business.

Farmed salmon production



The main cause of the fish farmers' agony is an unexpectedly large surge this year in the output of Norwegian salmon. Norway's production, which has always dwarfed that of Scotland, had been expected to go up by 50 per cent to 120,000 tonnes in 1989, but earlier this year so many fish were coming onto the market from Norwegian fish farms that it looked set to reach 150,000 tonnes. Although more and more people are eating salmon, consumption in the EC was only 100,000 tonnes in 1988.

The crunch came in early June when the Norwegian Fish Farmers Sales Organisation, which regulates salmon sales, cut its minimum price by 16 per cent, bringing the delivered price of a 1 to 2 kg fish down to between £1.14 and £1.30 a kilogram. Prices of Scottish farmed salmon, which normally enjoy a small premium on that of the Norwegian product, slumped similarly, so that they are now more than 40 per cent below their levels of January 1988.

Many farmers in both Scotland and Norway are selling at or below their production costs. Some Scottish farms have called in the receiver, several are up for sale and Scottish producers, along with those in Ireland, are trying to persuade the EC Commission to take action against Norway.

Large scale Norwegian salmon farming began several years before Scotland's – Scottish output was only 18,000 tonnes in 1988, compared with Norway's 80,000 tonnes, though Scotland was expected to exceed 30,000 tonnes this year. Many of this year's problems can be traced back to a politically-inspired decision taken by the Norwegian Government in 1985.

In that year, eager to spur an industry which, just as in Scotland, was boosting the economic prospects of its western seaboard, Norway dramatically loosened restrictions on licences for setting up smolt farms.

These are the freshwater establishments which breed smolts – the small fish which, after spending one to two years in cages in the sea, mature into salmon.

Banks incautiously treated the government licences as security and soon 150 new smolt farms were set up, bringing the total to 370.

The expanding smolt production reached maturity this year, the numbers of salmon further boosted by last year's exceptionally warm winter in Norwegian waters which, abnormally, enabled fish to grow right through the winter. That triggered the collapse of prices.

But Mr Odd Steinboe, managing director of the Norwegian Fish Farmers Sales Organisation, says: "There will be no further price reductions. I'm quite sure these prices will clear the market. In fact I think there is a movement upwards – or soon will be."

He believes that Norwegian farms may, in fact, sell 130,000 rather than 150,000 tonnes this year and hold the remainder in the cages over the winter for harvesting next year.

Mr Paul Birger Torgnes, general secretary of the Norwegian Fish Farmers Association, says: "We're now past the state of crisis." He believes that even if output reaches 150,000 tonnes this year, it should not exceed 160,000 tonnes next year. Growth in future years will be much slower, he adds, because:

● Some 19 smolt farms have gone bankrupt in the past six months, and he expects another 50 to 70 to go the same way. This means destruction of hundreds of thousands of smolt.

● The two fish farmers' organisation have advised their members not to transfer more than 80,000 to 100,000 smolt a year to each of the 785 seawater farms. This "advice" is being backed up by banks which are often making compliance a condition of future credit to farmers. Again, surplus smolt are being destroyed in large numbers.

● Mr Bjarne Moerk Eidem, Fisheries Minister, has postponed indefinitely the next round of licensing for seawater farms. Some 150 or more projected new farms will not now go ahead. The Minister says he now wants the industry to grow by only 10 per cent a year.

These measures are being given a cautious welcome on the Scottish side of the North Sea but have not removed all resentment at the Norwegians' behaviour. "We won't know until next April what their production is likely to be for 1990, which is intolerable," says an official of the Scottish Salmon Board, the producers' association.

Mr David Windmill, who runs McConnell Salmon, the Booker subsidiary which, along with Marine Harvest, an offshoot of Unilever, is a leading player in Scotland, says: "Prices are awful and have got worse in the past three weeks." He says that small fish in the 1 to 3 kg category, which are currently very plentiful, are often being sold below cost, though larger fish command slightly better prices.

Scottish fish farmers, particularly recent entrants, are already under pressure from high interest rates, and many suffered losses from storm damage in the winter. Mr Windmill hopes that the Scottish industry, which is gradually improving its marketing performance and rationalising its sales operation as smaller producers combine to form sales co-operatives, will agree a rough target for its own expansion over the next few years. "The established producers who've made some money in past years will hang on," he says.

The Scottish Salmon Board believes that Norway is selling at below its variable production costs, which amounts to dumping, and is collecting evidence to prove it.

Mr Torgnes of the Norwegian Fish Farmers Association admits that the exporting companies which handle all Norway's salmon sales may be selling some fish at below the minimum price which they are obliged to pay farmers, "in which case they will make a loss." He also says that for farmers in the colder waters of northern Norway the minimum price may not be enough to cover costs, though in southern Norway things should be easier.

Mr Steinboe of the Sales Organisation says that though the smallest fish may be being sold below cost "you have to look at the average price, taking into account the bigger fish. I don't know how you define a dumping price. In any case it is Norway that keeps the price up – if it wasn't for our minimum price system Scottish prices would be even lower."

But the Scottish producers also have a longer term aim: to get the EC Commission to bring salmon into the fish reference price system of its fisheries policy, which would allow EC countries to raise import duty on non-EC salmon from 2 per cent to 12 per cent, in line with that on trout. But despite British and Irish government sympathy, this is likely to be a slow process and the threat does not appear to worry the Norwegians unduly. "It might be serious for a few years but I hope Norway will join the EC in the 1990s," says Mr Torgnes.

Argentina expects big grain crop

By Gary Mead in Buenos Aires

MR GUILLERMO Moresco, president of Argentina's Grain Exchange, has predicted that the coming 1989-90 harvest will be between 35 and 40 per cent bigger than last year's.

At the same time Mr Carlos Etchepare, representing Argentina's Grain Exchange at the 6th Soya Conference, in Brasilia, has said that Argentina expects a 17 per cent increase in sowing in the coming season, covering 5.5m hectares and giving a new record yield of 12m tonnes.

Mr Etchepare said initial calculations suggested that of those 12m tonnes, 4m would be available for export, with a further 1.2m tonnes of soya oil and 6m tonnes of soya flour also going overseas. He estimated that soyabeans and soya derivative would thus bring in $2.4bn of export earnings, making the 1980s "the decade of soya."

Argentine farmers have traditionally struggled under the weight of government tariffs, and complain bitterly against alleged protectionism of other countries.

Mr Etchepare said that "within the problems unleashed by protectionism, subsidies, trade disputes and the consequent price collapses, soya appears to be one of the few positive episodes in this complicated sector."

Argentine cereals suffered severely last season from a protracted drought, which has since been alleviated by recent heavy rainfall.

A year ago total earnings for this year from grain and cereal derivatives were being projected at $5.1bn, but because of the drought and political uncertainty they reached no more than $3.5bn.

Soya was one of the crops worst affected last season, with the predicted crop of 11.44m tonnes collapsing to 8.4m tonnes.

Mr Guillermo Alchouron, president of the Argentine Rural Society (the leading farmers' organisation) has recently predicted that the coming season will see an increase of between 70 and 100 per cent in Argentina's grain exports.

It will be some time, however, before that optimistic forecast (which would give export earnings of between $5.95bn and $7bn at current world prices) is put to the test.

Brazil lifts coffee harvest estimate to 23.6m bags

THE BRAZILIAN Coffee Institute (IBC) has raised its estimate for the current (1989-90) harvest to 23.6m bags (60 kg each) from the previous forecast, in December, of 22.9m, reports Reuter from Sao Paulo.

"The yield is lower than normal," said Mr Jorio Dauster, the institute's president, but he added that the quality had improved.

The current harvest is sharply below the country's capacity of well over 40m bags because of wide temperature variations and lack of rain last year, when flowering for the coming crop was taking place.

Mr Dauster dismissed trading house estimates putting next year's harvest at over 40m bags. "These are absolutely premature," he declared.

The IBC president said Brazil was well placed in the new, free coffee market and saw no reason to revive the International Coffee Agreement's export quota system.

Some 7m bags had been registered for export in the seven weeks since the quotas were abandoned, he said. Some of that had been due to catching up on delayed sales, however, and registrations would slow later in the year. "In the foreseeable future, I don't see any reason for it (a new accord)," he said.

Brazil had shown competitiveness in the new free market, both by its rapid unveiling of new market policies within a week of the end of the accord and its volume of sales.

WORLD COMMODITIES PRICES

LONDON MARKETS

COVERING against nearby supply tightness pushed zinc values higher on the London Metal Exchange yesterday, sending prices to the highest level since late March. Profit-taking pared back gains near the close but the cash price for high grade metal still closed $40 up at $1,860 a tonne. The cash premium widened sharply as the three months position gained only $7.50 to $1,680 a tonne. LME tin continued this week's modest recovery following the preceding sharp sell-off. The cash position, which had dipped to $7,870 a tonne on Monday closed yesterday at $8,265 a tonne, after gaining another $30 on the day. After performing quite strongly for most of the day coffee futures were hit by a late wave of speculative selling. The November position, which reached £780 a tonne at one point, closed £18 down on balance at £745 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.35w	-0.10
Brent Blend	$17.05-7.10z	-.125
W.T.I. (1 pm est)	$18.65-8.70w	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	+1
Gas Oil	$154-156	
Heavy Fuel Oil	$82-84	
Naphtha	$154-156	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$362.75	-1.60
Silver (per troy oz)♣	517c	-1
Platinum (per troy oz)	$481.0	-5.5
Palladium (per troy oz)	$134.70	-1.45
Aluminium (free market)	$1860	-5
Copper (US Producer)	130⅝-132	-½
Lead (US Producer)	39.5c	
Nickel (free market)	570c	
Tin (Kuala Lumpur market)	22.13r	+0.08
Tin (New York)	381.5	+1.0
Zinc (US Prime Western)	83¾c	
Cattle (live weight)†	118.63p	+2.13*
Sheep (dead weight)†	156.56p	+9.62*
Pigs (live weight)†	93.62p	+0.60*
London daily sugar (raw)	$352.2v	+0.6
London daily sugar (white)	$501v	+1
Tate and Lyle export price	£340.5	+4.0
Barley (English feed)	£104.5	
Maize (US No. 3 yellow)	£129.00	-1.75
Wheat (US Dark Northern)	£127.0t	+0.5
Rubber (spot)♥	58.75p	
Rubber (Oct)♥	61.75p	
Rubber (Nov)♥	62.50p	
Rubber (KL RSS No 1 Sep)	240.0m	
Coconut oil (Philippines)§	$435v	
Palm Oil (Malaysian)§	$317.5v	
Copra (Philippines)§	$300	
Soyabeans (US)	£170w	+1
Cotton "A" index	83.70c	-0.05
Wooltops (64s Super)	600p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. z-Sep. x-Nov/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	758	777	766 750
Dec	818	832	828 807
Mar	799	813	804 790
May	813	823	815 804
Jul	828	840	832 820
Sep	844	855	852 838
Dec	869	878	870 860

Turnover: 7432 (3754) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 23 983.09 (987.73) :10 day average for Aug 24 1020.27 (1031.04)

COFFEE £/tonne

	Close	Previous	High/Low
Sep	745	768	780 742
Nov	745	763	780 736
Jan	748	763	784 740
Mar	760	790	797 760
May	775	805	810 770
Jul	800	840	830 795
Sep	820	850	

Turnover: 5337 (5756) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 23: Comp. daily 70.16 (68.66). 15 day average 68.58 (68.59)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	308.40	313.40	314.80 307.60
Dec	295.00	301.00	298.00
Mar	286.20	292.60	293.20 286.20
May	280.20	286.40	287.00 282.60
Aug	278.00	281.20	282.00 279.00
Oct	269.00	274.00	275.00 272.00
White	**Close**	**Previous**	**High/Low**
Oct	422.50	422.00	425.00 419.00
Dec	383.50	382.00	382.00 380.00
Mar	359.50	361.00	362.00 357.50
May	356.00	357.60	358.50 356.00
Oct	349.50		349.50

Turnover: Raw 2718 (3481)lots of 50 tonnes. White 1482 (2207)
Paris- White (FFr per tonne): Oct 2600, Dec 2520, Mar 2384, May 2366, Aug 2352, Oct 2315.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Oct	16.97	16.05	16.97 16.85
Nov	16.85	16.81	16.85 16.75
Dec	16.78	16.70	16.78 16.70
IPE Index	16.99	17.01	

Turnover: 5023 (3181)

GAS OIL $/tonne

	Close	Previous	High/Low
Sep	153.00	153.00	153.50 152.25
Oct	152.25	152.50	152.75 151.75
Nov	152.50	152.50	153.00 151.75
Dec	153.00	153.50	153.25 152.25
Jan	152.25	152.00	152.25 151.50
Feb	149.25	149.00	149.25 149.00

Turnover 4622 (7359)lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 23	Aug 22	mnth ago	yr ago
1507.3	1397.5	1937.8	1815.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.50	129.45	131.52	132.36
Futures	131.68	131.12	129.04	136.31

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,425 tonne
Cash	1859-61	1870-5	1860	1860-1		
3 months	1837-8	1845-7	1850/1835	1838-9	1832-5	30,303 lots
Copper, Grade A (£ per tonne)						Ring turnover 48,225 tonne
Cash	1915-20	1876-8	1930/1900	1895-900		
3 months	1861-2	1838-9	1867/1849	1856-7	1854-5	70,670 lots
Lead (£ per tonne)						Ring turnover 5,975 tonne
Cash	446-7	447-9	448/447	447-8		
3 months	440-1	442-3	444/438	442-2.5	438-9	10,439 lots
Nickel ($ per tonne)						Ring turnover 1,026 tonne
Cash	12450-75	12350-450	12600/12500	12450-500		
3 months	11875-900	11800-50	11900/11825	11850-900	11800-50	5,056 lots
Tin ($ per tonne)						Ring turnover 590 tonne
Cash	8250-80	8220-50		8220-50		
3 months	8360-400	8330-50	8425/8360	8370-80	8385-400	5,934 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,300 tonne
Cash	1880-90	1935-40	1960/1860	1950-2		
3 months	1715-20	1715-20	1750/1705	1738-40	1705-10	11,861 lots
Zinc ($ per tonne)						Ring turnover 5,025 tonne
Cash	1865-75	1810-30	1935/1900	1925-30		
3 months	1675-85	1670-55	1685/1685	1675-95	1655-65	6,662 lots

LME Closing £/$ rate:
SPOT: 1.5698 3 months: 1.5513 6 months: 1.5345 9 months: 1.5209

POTATOES £/tonne

	Close	Previous	High/Low
Nov	141.5	144.0	141.5 140.0
Apr	221.5	221.5	224.0 221.0
May	243.0	244.0	243.0

Turnover 194 (467) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	139.50	138.60	139.50
Dec	140.50		140.50 139.50

Turnover 206 (111)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Aug	1425	1426	1430
Sep	1495	1493	1495 1492
Oct	1553	1550	1555 1550
Jan	1594	1593	1595 1592
Apr	1620	1618	1620
BFI	1427	1427	

Turnover 83 (76)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	105.90	106.20	106.20 105.90
Nov	109.45	109.75	109.75 109.45
Jan	112.80	113.05	112.95 112.75
Mar	115.60	115.80	115.70 115.60
May	118.30	118.60	118.60 118.30
Jun	120.10		120.25
Barley	**Close**	**Previous**	**High/Low**
Sep	102.55	102.50	102.50 102.45
Nov	106.80	106.70	106.80 106.60
Jan	109.95	109.90	110.00 109.80
Mar	112.65	112.60	112.65
May	114.45		114.40

Turnover: Wheat 293 (188), Barley 128 (82).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	118.0		117.5
Oct	122.0		121.0
Feb	116.0	115.0	115.5

Turnover 34 (15) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	362½-363	231-231½
Opening	363½-364	232½-233
Morning fix	363.60	232.382
Afternoon fix	362.20	230.774
Day's high	364-364½	
Day's low	361¼-362¼	

Coins	$ price	£ equivalent
Mapleleaf	374-379	238-241
Britannia	374-379	238-241
US Eagle	374-379	238-241
Angel	374-379	238-241
Krugerrand	362-365	230½-232½
New Sov.	85-86	54-54½
Old Sov.	85-86	54-54½
Noble Plat	486.75-494.50	310.65-315.55

Silver fix	p/fine oz	US cts equiv
Spot	330.25	517.00
3 months	341.55	528.35
6 months	353.05	540.00
12 months	374.25	582.60

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1800	76	97	10	55
1900	20	52	53	107
2000	2	24	136	178
Copper (Grade A)	**Calls**		**Puts**	
2850	166	168	11	110
2950	92	121	36	160
3100	26	69	118	258

LONDON FOX TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
700	72	92	27	48
750	44	68	48	74
800	25	48	80	104
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	84	88	16	41
800	52	62	34	65
850	29	45	61	98

US MARKETS

IN THE METALS, gold prices fell slightly as a firm US dollar prompted some scattered selling, reports Drexel Burnham Lambert. Silver kept a firm tone for most of the session in light volume. Copper rallied near the close from elected buy stops as the December contract made a new contract high of 127.50. Platinum eased following gold's poor performance.In the softs, coffee prices sank 434 basis December as origin, trade and forced speculative liquidation fueled the decline. Profit-taking in the sugar pared its recent gains. Cocoa futures were lower as arbitrage selling was featured. The livestocks had lower belly prices as technical resistance levels were met. Good frozen movement was noted. Live hogs edged higher as a firmer cash market provided support. Light packer demand weighed on the cattle. The grains continued to show weakness but trading volume was light. Wheat futures remained firm closing at 393 3/4 up 2 cents. The energy complex posted declines as Wednesday's production numbers added a bearish tone to the markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	364.5	365.8	365.0	363.5
Sep	365.0	366.3	0	0
Oct	366.8	368.1	368.0	366.5
Dec	370.6	371.9	371.5	369.3
Feb	374.3	375.6	374.1	373.5
Apr	378.1	379.4	378.0	377.0
Jun	382.1	383.4	381.4	381.4
Aug	385.9	387.2	385.7	385.7
Oct	389.9	391.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	482.4	485.4	0	0
Oct	484.7	497.7	487.0	482.5
Jan	488.2	491.2	490.0	486.5
Apr	491.7	494.7	492.0	490.0
Jul	495.4	498.8	0	0
Oct	499.2	502.5	500.0	500.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	516.6	516.4	0	0
Sep	517.5	517.5	519.5	514.5
Oct	521.5	521.5	522.5	522.5
Dec	530.2	530.3	532.0	527.5
Jan	533.5	533.7	0	0
Mar	542.1	542.3	543.5	540.0
May	550.2	550.4	550.5	550.0
Jul	558.6	558.8	558.0	558.0
Sep	567.1	567.3	567.0	567.0
Dec	579.2	579.4	579.0	577.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	130.50	127.60	130.60	130.50
Sep	130.50	127.85	130.50	127.70
Oct	129.30	126.65	0	0
Dec	127.00	124.40	127.30	124.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.67	18.80	18.77	18.58
Nov	18.43	18.59	18.57	18.36
Dec	18.30	18.45	18.41	18.19
Jan	18.19	18.33	18.27	18.10
Feb	18.11	18.23	18.15	18.03
Mar	18.03	18.16	18.09	17.95
Apr	18.00	18.11	18.00	17.93
May	17.91	18.06	17.91	17.91
Jun	17.95	18.02	17.95	17.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5176	5191	5195	5145
Oct	5243	5258	5255	5205
Nov	5295	5304	5315	5260
Dec	5350	5354	5375	5325
Jan	5345	5360	5375	5310
Feb	5250	5265	5270	5235
Mar	5060	5060	5080	5035
May	4740	4750	4760	4731

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1113	1130	1120	1105
Dec	1130	1145	1136	1116
Mar	1135	1145	1139	1120
May	1153	1163	1152	1140
Jul	1172	1181	1172	1172
Sep	1192	1201	1184	1183
Dec	1215	1225	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	79.00	83.22	82.50	78.50
Dec	80.40	84.74	984.25	79.70
Mar	82.64	87.00	86.50	82.25
May	84.85	89.06	88.75	84.75
Jul	86.25	90.86	90.40	86.25
Sep	88.00	92.75	91.00	88.00
Dec	91.00	95.75	94.15	91.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.90	14.13	14.18	13.82
Jan	13.12	13.35	0	0
Mar	12.84	13.10	13.10	12.82
May	12.57	12.87	12.80	12.57
Jul	12.44	12.66	12.60	12.44
Oct	12.20	12.40	12.31	12.20

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	76.27	76.25	76.60	76.05
Dec	77.04	76.90	77.34	76.75
Mar	77.72	77.60	78.00	77.52
May	78.18	78.10	78.20	78.00
Jul	78.06	77.90	78.10	77.80
Oct	71.87	72.20	72.10	71.80
Dec	68.30	68.45	68.40	68.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	161.15	160.75	161.85	159.90
Nov	142.90	146.05	145.25	141.55
Jan	140.15	142.45	142.50	140.10
Mar	139.55	141.45	140.75	138.50
May	138.60	140.70	0	0
Sep	137.90	139.90	0	0
Nov	137.90	139.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	595/6	598/0	599/0	591/4
Nov	589/4	591/4	593/0	586/0
Jan	599/2	601/2	602/2	596/0
Mar	609/0	610/6	612/0	606/0
May	617/0	617/4	619/0	614/0
Jul	622/0	621/6	624/0	618/4
Sep	585/0	585/0	0	0
Nov	581/2	581/4	587/0	580/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.55	18.78	18.65	18.53
Oct	18.80	19.02	18.88	18.75
Dec	19.27	19.46	19.33	19.23
Jan	19.52	19.70	19.58	19.48
Mar	19.87	20.00	20.00	19.87
May	20.21	20.35	20.30	20.21
Jul	20.50	20.60	20.60	20.50
Sep	20.45	20.60	20.70	20.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	193.5	193.6	194.2	192.2
Oct	186.5	187.4	187.5	185.7
Dec	185.6	186.4	186.7	184.8
Jan	185.5	186.5	186.6	185.3
Mar	185.8	186.8	187.0	185.5
May	187.5	187.5	187.5	186.0
Jul	187.5	188.0	187.5	186.5
Sep	185.5	187.0	185.5	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	234/2	236/0	236/0	234/0
Dec	235/6	237/4	237/4	236/2
Mar	242/6	245/0	244/4	242/2
May	249/2	250/4	250/0	247/6
Jul	249/4	252/0	251/4	249/4
Sep	242/4	245/4	245/4	242/4
Dec	241/0	244/0	244/0	241/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	393/6	391/6	394/0	391/6
Dec	407/0	406/2	407/0	405/4
Mar	412/0	409/0	412/0	409/2
May	400/0	398/0	400/0	397/0
Jul	367/6	367/4	368/0	365/4
Sep	371/6	371/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	73.80	74.05	74.00	73.80
Oct	75.12	75.50	75.52	74.97
Dec	74.10	74.37	74.37	74.02
Feb	73.02	73.27	73.25	72.95
Apr	74.07	74.30	74.30	74.07
Jun	72.05	72.17	72.20	71.90
Aug	70.10	70.35	70.25	70.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.62	41.47	41.97	41.36
Dec	42.62	42.47	42.95	42.47
Feb	43.80	43.42	44.17	43.45
Apr	41.02	41.07	41.50	40.95
Jun	45.55	45.30	45.92	45.45
Jul	46.10	45.92	46.20	45.88
Aug	44.40	44.40	44.45	44.25
Oct	41.30	41.50	0	41.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	28.97	27.17	29.17	27.17
Feb	41.45	42.15	42.73	41.15
Mar	41.40	42.35	42.60	41.37
May	42.70	43.52	43.85	42.65
Aug	43.20	43.20	43.70	0

LONDON STOCK EXCHANGE

Footsie struggles to surmount 2,400.

ANOTHER BUOYANT if somewhat erratic trading session saw the UK stock market joust with the Footsie 2,400 mark three times before settling down to close seven points beneath this important psychological benchmark which has not been seen since before the 1987 Crash. Hints that a large buyout move was pending circulated towards the close of trading.

Bank shares stood out as there was an upward re-rating of the sector in the wake of recent trading statements. However, the market could not hold above FT-SE 2,400, and at least one domestic institution was a seller of stock yesterday.

Account Dealing Dates

*First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Day:	Sep 11	Sep 25	Oct 9

*New time dealings may take place from 8.00 am two business days earlier

The closing minutes saw London trying to move ahead again as Wall Street opened strongly, with its all-time peak once again within hailing distance. At its best level, just after midday, the FT-SE Index touched 2,404.5, but about two-thirds of the gain of 22 points was whittled away later.

The renewed improvement at the close left the FT-SE Index with a final reading of 2,393,1, a net gain of 10.7 points and a clear new closing peak for the year. The index reached its all-time high of 2,443.4 on July 16,1987.

The London market's continued optimism, in the face of this week's announcement of the second largest monthly UK trade deficit on record, appears to reflect the view that domestic interest rates will not move any higher, and may begin to fall next Spring. Firmness in sterling yesterday buttressed the first point, while a reminder from Mr Nigel Lawson, the UK Chancellor of the Exchequer, that domestic rates need to be kept high to fight inflation, did little to upset the second leg of the market's argument. Indeed, the London arm of an international bank yesterday joined the ranks of those still calling for an early reduction in domestic rates.

Seaq volume increased to 475.7m shares yesterday from Wednesday's 439m, but blue chip leaders returned a slightly ragged performance. BAT Industries struggled to hold the gain scored late on Wednesday; the Hoylake consortium's conditional plan to sell off Farmers Group, BAT's US insurance acquisition, was balanced by suggestions that the bidding consortium would seek to have its bid lapse pending the outcome of the US regulatory hearings.

ICI gave back part of its recent gain, and Wellcome was another highflyer to look suddenly tired. Brewery shares were *enlivened* early by the news that Bass has paid £1.3bn for Holiday Inns in the US.

With the London equity market looking a little weary in the second half of yesterday's trading session, the near-term outlook is likely to hinge on Wall Street's performance overnight. Chart analysts want London to establish itself above Footsie 2,400 before attempting a further advance.

FINANCIAL TIMES STOCK INDICES

	Aug 24	Aug 23	Aug 22	Aug 21	Aug 18	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.12	87.22	87.82	87.80	87.54	87.34	89.29 (6/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.40	97.67	97.82	97.71	97.69	97.03	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1977.9	1975.9	1966.3	1969.0	1972.0	1432.6	1979.0 (18/8)	1447.8 (3/1)	1979.0 (18/8/89)	49.4 (26/6/40)
Gold Mines	199.9	201.7	202.0	202.0	204.0	199.1	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2393.1	2382.4	2370.8	2374.7	2376.1	1780.2	2393.1 (24/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.00	4.00	4.03	4.02	4.00	4.75				
Earning Yld %(full)	9.57	9.57	9.63	9.60	9.57	11.98				
P/E Ratio(Net)(*)	12.59	12.59	12.52	12.55	12.59	10.16				
SEAQ Bargains(5pm)	26,564	25,970	26,057	27,048	27,126	25,992				
Equity Turnover(£m)†	-	893.62	857.71	848.65	877.74	1038.83				
Equity Bargains†	-	26,868	26,635	27,320	27,855	23,183				
Shares Traded (mil)†	-	352.1	335.4	276.7	368.9	361.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.47

Ordinary Share Index, Hourly changes — Day's High 1987.6 — Day's Low 1974.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1987.6	1977.8	1979.3	1981.6	1985.6	1985.6	1982.5	1975.6

FT-SE, Hourly changes — Day's High 2404.5 — Day's Low 2387.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2400.4	2389.1	2390.3	2397.0	2404.3	2403.6	2399.4	2390.5

S.E. ACTIVITY

Indices	Aug 23	Aug 22
Gilt Edged Bargains	94.2	80.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	87.1	86.9
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Bass deal interrupts strong run

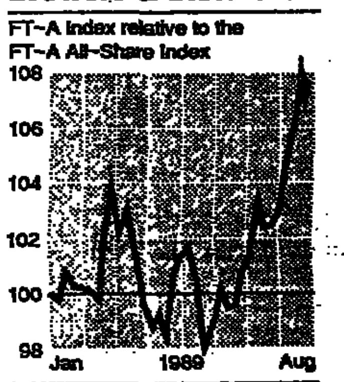
The $2bn acquisition of the US arm of the Holiday Inn hotels chain by Bass ended three weeks of strong outperformance by the group's shares and the brewery sector. Having opened 8 better at 1155p, Bass tumbled more than 50 points before recovering slightly to end down 43 at 1104p, on turnover of 3.6m shares.

While the market's initial reaction to the deal was bearish, as the day wore on opinion swung slowly in favour of Bass. "You have to pay that sort of price for brand ownership," said one analyst who was not unsettled by the cost of the acquisition.

There was agreement among analysts that the purchase fitted in well with the Bass strategy of diversifying out of brewing and into hotels; the group has been successfully running the European chain of Holiday Inns for 18 months so it has no shortage of experience in the business, said one analyst.

Brewers & Distillers

FT-A Index relative to the FT-A All-Share Index



Although the drinks team at County NatWest WoodMac reckons the deal will dilute earnings by about 5 per cent, and has cut its forecast for Bass profits in 1989/90 by £13m to £561m, it believes the acquisition will prove beneficial in the longer term.

The deal had a mixed impact on the rest of the brewers, with Allied Lyons falling 5 to 549p, Scottish & Newcastle 2 to 388p (after a dull annual meeting), and Guinness 4½ to 415½p. However, Grand Metropolitan ended 4 better at 637p and Whitbread "A" 9 to the good at 396p, the latter in anticipation *of the group and the Whitbread* Investment Trust having to reduce its holdings in various regional brewers by order of the Department of Trade and Industry.

The brewers have been particularly firm in recent weeks on the back of strong summer sales of beer, wines and spirits and soft drinks. The growing feeling that the DTI-imposed restructuring of the industry will not harm the earnings outlook for the leading brewers, and may even enhance market ratings, has also boosted sector sentiment. However, with the planned changes almost fully taken on board, dealers warn that brewery shares might underperform in the near term as investors take profits.

BAA squeezed

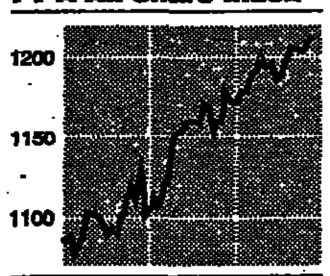
BAA recovered sharply after some months of weakness and several particularly poor days recently. Marketmakers spoke of some badly handled selling orders in the current trading account as the cause of the latest decline. They said that the realisation that the shares had been oversold triggered buying at the lowest level yesterday and this produced a bear squeeze that lasted all day.

Early interest was also stimulated by a reiteration of positive views on BAA from BZW. Ms Jennie Younger, part of the transport analysts team at BZW, said that the stock was at an undeserved 10 per cent discount to the market. "BAA is more or less assured of a 20 per cent annual growth over five years," she said. "The stock has excellent defensive qualities and should be on a premium." One reason the price had been depressed was that the company was not been seen as a candidate for a takeover bid.

The shares touched a high of 358p before closing 5 to the good at 356p. Turnover was a moderate 1.5m shares.

Banks had another firm day, with the stock shortage exacerbated by steady demand for selected clearers. Leading the way higher were Barclays, up 18½ at 552½p on turnover of 4.8m shares, and backed up by steady interest in the traded options. Midland and NatWest followed with gains of 10 to 369p (turnover 4.1m shares) and 355p (5.9m) respectively, while TSB added 4⅞ at 117½p on further talk of a tie-up with retailer Marks & Spencer, and Abbey National enjoyed their best day since the flotation, rising 4 to 151½p on turnover of 15m shares.

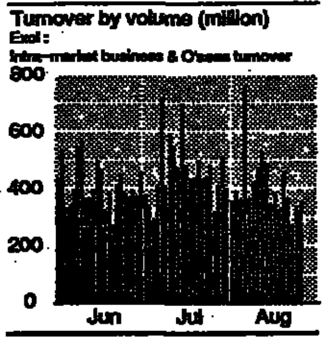
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: Intra-market business & O'seas turnover



There was no clever explanation for the strength in banks, said analysts. "The sector has taken off today because it looks cheap after the recent interims and the LDC provisions," explained one. "People have been buying stock steadily since then and a technical shortage in the market has accelerated those price gains; in effect the sector is being re-rated."

Insurers were also actively traded, in both the life and composite sector. The news that a buyer had been found for the US Farmers group at $2.99bn, and the high price *being paid for French group* Group Victoire by Compagnie Financière de Suez, were said by dealers to have highlighted the currently undervalued nature of UK insurers, particularly when measured in terms of market capitalisation against premium income.

However, at least one insurance analyst thought that it was wrong to look only at premium income; "it is a fairly spurious measure because it misses key points such as profitability, balance sheet strength and the strength of claims reserves."

The biggest gains were sported by Royal, up 12 at 455p, Legal and General, up 11 at 368p and Sun Alliance, up 8 at 335p.

SmithKline Beecham shaded a penny to 576p on moderate turnover. Hoare Govett is said to be publishing a positive note on the company this morning.

Marley increased the pain for many building stocks when implying that the first-half problems of the UK market were intensifying. Marley shares suffered little, closing only marginally lower at 141p after interim figures much in line with expectations. The company warned that it may not be possible to match last year's full result but, according to the market, the news had been discounted. "Look at the shares; they're bumping along the low for the year", said a trader.

Worries about the key Newcastle development took a further toll on Stanley Miller, down 17 further at 362p, while others to weaken included Anglia Secure Homes, 17 lower at 123p, and Alfred McAlpine, which reacted 14 more to 365p, still on the lower interim profits.

The rout of McCarthy & Stone also continued, the shares losing 12 more to 125p; it was announced later that director Mr John Gray had sold 256,000 shares from the estate of Mrs Janet Stone, the ex-wife of Mr Bill Stone, who died in February of this year. The stake was sold in two blocks at 152p and 155p, raising a total of about £390,000. Yesterday, McCarthy's shares closed down 12p at 125p as stock in all sheltered housing companies continued to slide.

Hey & Croft was one of few issues to resist the trend, rising 5 to 76p on the announcement that North East Essex Building had increased its stake to 12 per cent.

Mail order and retail group GUS maintained its recent sparkling form, the price adding a further 22 at 1179p on hopes that the non-voting "A" shares might soon be enfranchised. At least one City broker thinks the shares have gone far enough, and is advising clients to "top-slice".

WH Smith "A" were also firmly traded, rising 10 to 344p on the back of some positive broker's recommendations. Kitcat & Aitken rates the stock "very good value for the medium term," although Goldman Sachs takes a more cautious line, advising clients to buy only on further weakness. Dixons were also sought after, *gaining 2¼ at 171½p on the* attentions of one good buyer and growing hopes of a bid.

Tate & Lyle were undermined by talk that the group might be considering further acquisitions, although informed analysts were quick to play down suggestions that Tate might make a move for the Belgium sugar refiner *Raffinerie* Tirlemontoise. Tate ended down 9 at 280p.

Berisford International were a firm market, rising 7 to 167p on vague hopes of a takeover bid; hopes that the largest stake, held by AB Foods, was on the move are likely to prove unfounded, say observers.

BICC consolidated the gain scored earlier in the week following the disclosure of excellent interim trading figures. Although the shares showed little change at 522p yesterday, there were signs that further support is building in the marketplace as the UK brokerage houses upgrade profit estimates for the full year. Among those recommending the shares were Nomura – "growth set to continue"; Smith New Court – "an outstanding performance with more to come"; and Panmure Gordon – "believe the shares to be good value up to 570p."

At 260p, Plessey remained at the predictable discount to the 270p cash offer from the GEC/Siemens syndicate. GEC slipped a few pence to 268p.

Renewed suggestions that Far Eastern interests were about to sell took 8 off Cable & Wireless, leaving the shares at 580p.

Maker of high-temperature materials J. Hewitt announced several board changes and the shares climbed to 131p before easing back by the close to 127p, a net rise of 3.

An 18 per cent improvement in interim profits and a positive analysts meeting helped wire rope supplier Bridon add 9 at 205p. But an early large sell order took the wind out of Glynwed's sails. It failed to recover and closed 3 down on the day at 314p.

British Airways recovered for the second day in succession. The stock had been weak amid fears that the company might take a stake in United Airlines of the US. The resulting transfer of shares away from access to UK markets would push up the price. Some investors have been reassured by the possibility that rather than taking a simple stake for BA, a crossholding between the two airlines might be more likely. BA firmed 4 to 202p, a penny off the best of the day. Turnover was a brisk 6.1m shares.

Analysts from several brokerage houses have visited Parkfield since the start of the week and come away with positive views. The shares climbed 26 to 473p.

The unrelenting rise in Rothmans International continued, encouraged by yet another securities house recommendation. Mr William de Winton and the team at Hoare Govett have prepared a comprehensive analysis of the group and summarise several important points. These include the disappearance of tobacco companies on a worldwide scale, and the valuation of the group's non-tobacco interests upon which the market stubbornly refuses to put a premium rating. The shares finished 6 up at 678p.

Second-thoughts about the latest twist in the Hoylake bid saw BAT Industries shares react from Wednesday's enhanced after-hours levels. After reaching 885p then they closed yesterday at 866p. Axa Midi Assurances of France has conditionally agreed to acquire BAT's US subsidiary Farmers Group for $4.5bn and an investment of £600m in shares of Hoylake.

A flurry of buying interest swept Lonrho 6 higher to 299p while Polly Peck responded to County NatWest WoodMac advice that a reassessment will take place after the interim results, expected early-September, and settled 6 up at 299p. Further thoughts on the extent of a likely oil find by Lasmo in Syria pushed the stock to 522p before it settled back at 519½p by the close, a net improvement of 4½.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 31

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (160).
BRITISH FUNDS (1) AMERICANS (9) BANKS (8) BREWERS (7) CHEMICALS (4) STORES (4) ELECTRICALS (6) ENGINEERING (3) FOODS (10) HOTELS (3) INDUSTRIALS (22) Alexandra W'kwear, B.H. Prp., BBA 8.7pc Cm. Rd. Cv. Pf., BTR Nylex, BTR Wrrnts., Glaxo, Grafton Grp., Morgan Cruc. 7.5pc Cv. Pf., Optometrics, Parkfield, Pentland, Photo-Me, Pilkington Wrrnts., Plastiseal, Reckitt & Colman, Schlumberger, St. Gobain, Stm. Bus. Grp., Tomkins, Do. 5.5pc Cv. Pf., Unilever, Do. NV, INSURANCE (8) LEISURE (4) NEWSPAPERS (1) PAPERS (1) PROPERTY (4) TEXTILES (1) TOBACCOS (1) TRANSPORT (2) TRUSTS (46) OILS (1) OVERSEAS TRADERS (1) MINES (9) THIRD MARKET (1).
NEW LOWS (50).
CANADIANS (2) BREWERS (9) STORES (2) ELECTRICALS (7) FOODS (1) HOTELS (1) INDUSTRIALS (12) Airsprung, Avon Rubber, Beazer, Campbell & Armstrong, Cent. Sheerwood, Diploma, Halls Homes & Gardens, Ibex, Mid Kent, Reumore, Sterling Inds., Tubular Exhbs., LEISURE (2) MOTORS (2) NEWSPAPERS (1) PROPERTY (3) TEXTILES (2) TRANSPORT (2) MINES (1) THIRD MARKET (1).

APPOINTMENTS

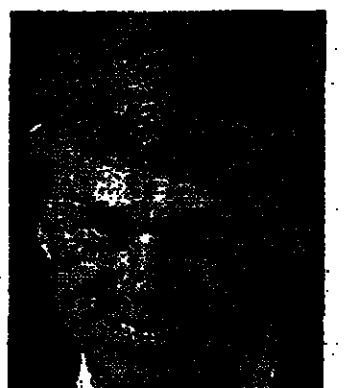
Philips TDS top post in Holland

■ Mr Kevin Kennedy, UK managing director of Philips Telecommunication and Data Systems (TDS), has been promoted to the executive management committee of PHILIPS TDS in Holland, becoming marketing director for the international product division. He is the first UK man to be appointed to such a senior international post in the IT sector of Philips.

■ Mr Kevin Dean has been promoted to administration director of LAURENTIAN LIFE. He was an assistant director. Mr Gary Parsons has been appointed regional director, south east. He joins from Manufacturers Life Insurance Co.

■ Mr Jack Hanbury-Tenison has been appointed target team director at BUSINESS IN THE COMMUNITY co-ordinating ten teams covering various aspects of economic regeneration. He has been seconded for two years from Kleinwort Benson, where he is a corporate financier.

■ BBA GROUP's wholly-owned subsidiary, Pacific BBA, Australia, has appointed Mr Peter Cottrell as non-executive chairman. He is managing director of Email, and a director of the National Australia Bank.



Mr S.R.J. Powell *(above)* has been appointed finance director of THE 600 GROUP from September 1, succeeding Mr I.G. Beaton who is retiring. Mr Powell was group financial controller.

■ BERTRAM HOLDINGS has appointed Mr P.A. Fletcher and Mr P.E. Hadsley-Chaplin as directors.

■ Mr Roger Squires, who owns 6% of the ordinary share capital of AUDIO FIDELITY, has been appointed to the board as a non-executive director. Mr Maurice Marks has retired from the board.

■ Mr Francis Alexander Scott has joined the board of the PROVINCIAL GROUP. He is the only son of the group's president, Mr Peter F. Scott.

■ Mr Mike Anthony has joined SYNTHESIS as business development director, after 21 years with IBM.

■ Mr Stanley Boyd, Mr Eamon Duffy and Mr Andrew Greenaway have been appointed executive directors of AEL VIDEO, a subsidiary of Britannia Security Group. Mr Mervyn Johnston becomes a non-executive director, and company secretary.

■ Mr David Lee, chairman of G. Maunsell & Partners, has been elected chairman of council of the Construction Industry Research and Information Association (CIRIA).

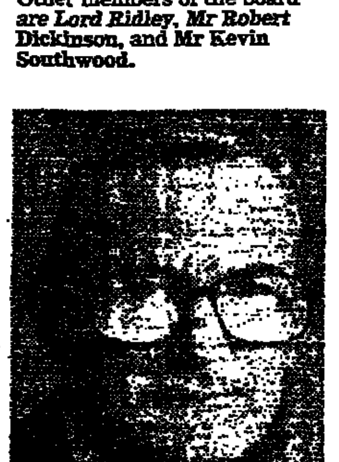
■ Mr Jonathan Hughes has been appointed sales and marketing director of CLOVERLEAF, Swindon. He was sales and marketing director of Superswitch Electric Appliances, part of the Pillar Electric Group.

■ Mr Mike Hopkins has been appointed marketing director of MICHAEL BARRATT, Maidenhead, a video/film company, from September 1. He is corporate affairs director of Nabisco.

■ Mr Charles de V. Shaw has been appointed marketing director of WBK INTERNATIONAL.

Northern Rock subsidiary board posts

■ Mr Christopher Sharp has been appointed chairman, and Mr David Johnson becomes chief executive of Northern Rock Financial Services, a new subsidiary of NORTHERN ROCK BUILDING SOCIETY. Other members of the board are *Lord Ridley, Mr Robert* Dickinson, and Mr Kevin Southwood.



BALFOUR BEATTY DEVELOPMENTS, part of BICC, has appointed Mr Brian McCarthy *(above)* to the board with responsibility for the project management of all developments in the UK. He was northern building manager.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55 60	56 18xd	59 77	+1.42	4 58
Gilts & Fixed Int	6	112.90	112.90	119.80	-0.7	8.35
High Inc Equity	6	140.80	143 6xd	152.8	-0.3	4.16
Worldwide Bond	6	202.9	202.9xd	214.9	+1.1	4.93
Capital Growth						
American Growth	6	198.5	198.5	212.3	+5.6	0 89
Asian Pacific	6	104 8	106.7	113 6	-0 4	1 14
Assets & Earnings	6	166.5	166 5	178.1	-0 1	2.08
Capital Reserve Acc	0	87 13	87 13	87 23	-0 13	4.59
Commdty & Energy	6	113 00	113 0	120 9	+0 6	1.57
1992 Enterprise	6	60 58	61 76xd	65 71	+0.21	1.95
European Capital	6	92.83	93 57	99.55	+0 26	0.75
General	6	188 10	188 10xd	201 2	+0 40	2 49
International	6	52.96	53 87	57 31	-0 75	0 87
Japan	6	116.7	118.5	126.1	+1 5	0 00
Mastertrust	6	91 26	91 26	97 61	+0.6	1.74
UK Growth Acc	6	208.1	217.3	231 2	+0 5	1 21
UK Growth Dist	6	138 8	144 9	154 2	+0 3	1 82
US Emerging Cos	6	54 96	56.58	60 20	+0 3	0 00
Income & Growth	6	321 10	327.4	348.4	+0 6	2 94
Ethical	6	50.86	52.14	55 47	+0.05	1.80
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	33.93	33.93	36.22	+0 09	2.93
European	5¼	70 09	70.19	74.92	+0.56	0 00
European Income	5¼	66 67	66.67xd	71.17	-0.51	2.76
Exempt	1	855 3	855 3	892.7	+1 40	1 87
Extra Income	5	46.95	46.95	50 12	+0.02	4.31
F East Emerg Scos	5¼	54.31	54 41xd	58.28	+0.71	0.50
Fund Inv Tst	5	134.8	134 8	144 0	+0 18	2.04
Do Accum	5	210 0	210 0	224 2	+0.30	2.06
Gilt & Fixed Int	5¼	21 92	22.52	24 04	-0 02	10.14
Income & Growth	5¼	78.79	78.79xd	84 11	+0 04	3 67
Intl Income	5¼	67 60	67 60xd	72.17	+0 72	4.83
Japan	5¼	202 6	202.6xd	216.3	+1.30	0 00
Pacific	5¼	397 7	399.3	427 7	+4.30	0 51
Secure Income	5	212 5	212.5xd	226 8	+0.50	5.50
Smaller Companies	5¼	63.81	63 81	68 12	+0 06	2 04
Special Situations	5¼	76 28	76 28	81 43	+0 02	1 23
UK Growth	5	40 88	40 88	43 64	+0 07	2.18
World Growth	5	54.20	54 20	57 86	+0.58	0 22
Acorn Unit Trust Managers Ltd (1100)F						
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
Income	5	171.4	176.7	187.5	+0.5	4 45
(Accum Units)	5	334 2	344.5	365.5	+0.8	4.45
International	5	128.8	128.8	136.2	+1.2	1.29
(Accum Units)	5	177.2	177.2	187.4	+1.8	1.29
Smaller Co's	5	118.5	121.5	128 9	+0.1	1.70
(Accum Units)	5	130.3	133.6	141.7	+0.2	1.70
Inv Portfolio	2½	58 58	60 63	62.51	+0.17	3.30
(Accum Units)	2½	60.82	62.94	64 89	+0 17	3.30
High Income Port	3	51.17	51.57	53.44	-0 03	5.93
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Str Dst Gilt & FI	1¾	54.09	54.09	54.86	+0.07	12.88
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Gwth	5½	49 57	49.57	53.37	+0 13	1.30
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	58 79	59 74	63 89		(z)2.23
Global Tst	5½	46.65	47.16	50 44		(z)2.01
Recovery Tst	5½	52.51	52.51	56.54		(z)1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01-234 6000						
Growth Fd Acc	5	117.8	119.2	125.7	+0.8	3.38
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America F	5	63 79	63 79	67 86	+1.23	0 54
CS International F	5	62.74	62.74	66.74	+0.66	1.48
CS Japan F	5	138.1	138.1	146.9	+0 4	0.31
CS Portfolio Inv & F	5	78.16	78.16xd	83.14	+0 23	1.55
Canada Life Unit Tst Mngs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	153.3	155.9xd	164.1	+0.50	2 82
Do Gen Accum	5	258.9	263.4	277.3	+1.0	2.82
Do Income Dist	5	101.5	103.6	109 0	+0 2	5.17
Do Inc Accum	5	232.5	237.2	249.7	+0.5	5.17
Gilt & Fxd Int	5	36.93	36.98xd	38.93	-0.02	8.25
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	41.41	41.41xd	44.29	+0 25	2.29
Income	5¾	51.15	51.54xd	55 12	+0.55	3 75
Far East ‡	5¾	39 03	39 73	42.27	-0 22	0 05
North American ‡	5¾	40.16	40 78	43.38	+0.95	1.66
Global ‡	5¾	56.30	57.22	60 87	+0.36	1.61
European	5¾	59 28	60.20	64.04	+0.35	0.84
Japan ‡	5¾	112.7	114.7	122.0	-0 7	0.01
Intl Currency Bd	5¾	44.86	44.86	47.55	+0 17	6.31
Strategic Opps.	5¾	56.54	56.54	60 47	+0.19	1.21
Capability Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	83.89	84.77	90 18	+1 40	1.38

GUIDE TO UNIT TRUST PRICING

صورة من الأصل

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Combi & Equity	5	64.34	67.53	71.84	+0.34	6.62
European	5	75.25	75.54	80.36	+0.17	0.09
Far Eastern	5	64.77	66.56	70.80	-0.30	0.62
Growth Inc	5	89.62	92.89	98.82	+0.11	1.39
Growth Acc	5	89.62	92.89	98.82	+0.11	1.39
Income Inc	5	85.48	87.39xd	92.96	+0.42	4.57
Income Acc	5	85.24	87.49xd	93.07	+0.42	4.57
Property Share	5	55.93	55.93	59.62	-0.1	0.99
Smaller Co's	5	59.44	60.03	64.03	+0.19	1.51
Nth American	5	68.96	68.96	73.75	+0.91	1.49
International	5	50.20	50.20	53.68	+0.45	1.39
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	114.39	114.39	119.99	----	3.93
UK Growth	5	95.00	95.00	100.0	----	3.00
UK Income	5	95.00	95.00	100.0	----	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	65.32	67.72	72.04	----	2.52
YUTM UK Eq Inc Tst	5¼	62.65	64.89	69.03	-0.05	3.72
YUTM Intl Gwth Tst	5¼	53.74	53.74	57.34	+0.34	0.77

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	----	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Inv Fund July 31	538.95		----	4.45
Fxd Int Sec July 31	142.05		----	10.07
Deposit July 31	100.00		----	13.25
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS				01-280 2800
C'inco Inc Aug 23	169.6	173.9	+0.20	10.30

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INSURANCES

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Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	132.0	139.0	+1.0	-
Building Soc. Fd.	173.0	183.0	....	-
Balanced	293.0	309.0	+1.0	-
European	190.0	200.0	+2.0	-
GT Managed	188.0	198.0	....	-
Gartmore Mngd.	127.0	134.0	....	-
German	135.0	143.0	+1.0	-
Gilt	183.0	193.0	....	-
Global	50.0	53.0	....	-
High Inc.	121.0	128.0	....	-
International Equity	205.0	216.0	+2.0	-
Japan	264.0	278.0	....	-
Managed	64.0	68.0	....	-
Property	288.0	304.0	....	-
R. W. Imperial Gold	152.0	160.0	....	-
UK Equity	371.0	391.0	+1.0	-
Pension Funds				
American	157.0	166.0	....	-
Building Soc. Fd.	174.0	184.0	....	-
Balanced	225.0	237.0	....	-
European	187.0	197.0	....	-
German	117.0	124.0	....	-
Gilt	158.0	167.0	....	-
International Equity	148.0	156.0	....	-
Japan	146.0	154.0	....	-
Managed	68.0	72.0	....	-
Property	221.0	233.0	....	-
UK Equity	339.0	357.0	....	-

Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	96.88	102.41	+0.45	-
Pensions Cash Fund	79.18	83.34	+0.03	-

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	623.1	656.6	+1.2	-
Adventurous Mngd.	135.5	142.8	+0.6	-
Secure Mngd	112.6	118.7	....	-
Cash Fd.	236.5	249.3	....	-
Property Fund	291.1	309.7	....	-
Equity Fund.	707.4	745.5	+2.1	-
Fxd. Int. Fund	303.5	319.9	-0.7	-
International	319.6	340.0	+1.1	-
High Income	482.2	513.0	+3.1	-
Far East	407.2	433.2	-3.9	-
North American	298.9	315.0	+3.8	-
Special Sits.	662.3	704.6	+2.0	-
Technology	257.2	273.7	+2.4	-
Extra Inc Fd	295.7	314.6	-0.1	-
Convertible & Gilt Fd.	159.8	170.0	-0.2	-
American Income	140.7	148.3	+1.7	-
Gilt Fund 20	306.8	326.4	-1.8	-
European Fund	108.4	114.3	+0.2	-
Pref & Fixed Int	100.4	106.9	-0.3	-
Pension Funds				
Balncd Gth Mnd Pens Acc.	598.2	629.7	+1.1	-
Adventurous Mnd Pens Acc.	131.7	138.7	+0.5	-
Secure Mngd Pens Acc.	111.6	117.5	....	-
Building Soc. Acc.	247.0	260.0	....	-
Property Pens. Acc.	298.8	314.6	....	-
Fix Int Pens Acc.	426.5	449.0	-0.4	-
Equity Pens Acc.	792.3	834.1	+2.2	-
International Pens Acc.	297.5	313.2	+1.2	-
High Inc Pens Acc.	521.8	549.3	+0.5	-
Tech Pens Acc.	168.0	176.9	+1.9	-
N American Pens Acc.	202.8	213.5	+2.9	-
Far Eastern Pens Acc.	429.2	491.8	-1.8	-
Special Sits Pens Acc.	550.5	579.5	+1.8	-

Prudential Holborn Pensions Ltd

30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	598.8	630.4	+2.5	-
Equity	873.6	919.6	+3.5	-
Global Equity	259.0	272.7	+2.2	-
Fixed Interest	417.1	439.1	+0.9	-
Property	401.7	422.9	....	-
Cash	160.0	168.5	+0.1	-
Index Linked Gilt	205.1	215.9	-0.5	-
Guaranteed	12.50		....	-
International Money	205.2	216.0	-0.7	-
North American	83.7	88.2	+1.9	-
Japanese	152.0	160.1	+0.2	-
European	103.8	109.3	+0.8	-
Special Situations	124.6	131.2	+0.1	-
Communications	112.1	118.0	+0.9	-
Smaller Companies	116.5	122.7	-0.1	-
International Small Cos.	143.3	150.9	+1.6	-

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 23	£166.30	172.12	+1.26	-
Equity Aug 23	£184.09	191.08	+2.34	-
International Aug 23	£28.00	28.92	-0.05	-
Intl Bond Aug 23	£12.73	12.91	-0.03	-
Fixed Int Aug 23	£74.56	75.56	+0.15	-
Index Linked Aug 23	£63.99	64.78	+0.3	-
Property Aug 23	£113.88	120.56	+0.09	-
Cash Aug 23	£21.4097	21.4097	+0.0545	-
Pru-Linked Retirement Plan				
Managed Aug 22	403.5	420.4	....	-
Cash Aug 22	201.0	209.4	....	-
Prudential Pension Investment Account				
Pens Mngd Aug 24	161.7	173.8	-0.3	-
Pens UK Eq Aug 24	315.5	340.4	-0.3	-
Pens Intl Aug 24	192.7	207.3	-1.0	-
Pens Fixed Aug 24	172.0	181.6	-0.7	-
Pens Index Lk Aug 24	163.9	172.5	-0.3	-
Pens Cash Aug 24	131.2	138.2	....	-

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd.	124.9	131.4	+0.6	-
Balanced Ptflio Fd.	327.3	344.5	+1.1	-
Cautious Ptflio Fd.	124.5	131.0	+0.2	-
Elite Fund	119.3	125.5	+0.8	-
European Fund	92.1	96.9	+0.8	-
Far East Fund	110.7	116.5	-0.1	-
Fixed Interest Fund	245.1	257.9	-0.1	-
International Fund	290.6	305.8	+4.1	-
Money Fund	179.0	188.4	....	-
N American Fd.	126.2	132.8	+1.8	-
Property Fund	423.9	446.2	-0.1	-
UK Equity Fd.	402.9	424.1	+0.9	-
A.I.M. Brewin Dlphi Fd.	98.7	103.9	....	-
Swiss Select Invs.	116.2	122.3	+0.4	-
Chart Safety First Bd.	110.5	116.3	+0.1	-
Exec Master Fd	101.7	107.1	+0.6	-
Hardwick Growth Fd	111.0	116.8	....	-
Bentley Haig LR Port.	107.8	113.5	....	-
Milbourne Spec Port.	121.8	128.2	+1.4	-
Swiss Global Fd.	118.8	125.0	....	-
Hardwick Tst Fd	72.7	76.5	....	-

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	125.9	132.5	+0.1	-
Equity Acc Fd.	334.7	352.3	+0.6	-
Managed Acc Fd	295.0	310.6	....	-
Prop Fd (1st Issue)	-	569.2	....	-
Prop Acc Fd (2nd Iss).	179.4	188.9	....	-
Unit Trust Mn Fd.	124.3	130.8	....	-

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	98	Exch 11pc 1989	99xd		11.02	13.12
99	95¼	Treas 5pc 1986-89	99		5.04	10.46
99½	98	Exch 10¼pcCv '89	99		10.33	13.12
101	99	Treas 13pc 1990‡‡	100		12.97	12.02
131	124	Treas 2pc IL '90(84.6)	131		2.09	9.98
99	98	Exch 11pc 1990‡‡	99		11.07	12.34
101	99	Exch. 12½pc 1990	99xd	......	12.50	12.71
95	91	Treas. 3pc 1990	95	......	3.13	9.29
97	95	Treas 8¼pc 1987-90‡‡	97		8.45	11.38
98	95¼	Treas. 8pc Cv 1990 ‡‡	97		8.21	11.08
98	96	Treas. 10pcCv 1990	97		10.22	12.02
93	87	Exch 2½pc 1990	93½		2.67	7.97
101	98	Treas 11¾pc 1991	99	......	11.75	11.71
93¼	89	Funding 5¾pc '87-91‡‡	93	......	6.14	10.13
90	86	Treas. 3pc 1991	90¼		3.31	9.02
100	95	Treas 10pc Cv '91 ‡‡	97	......	10.23	11.36
101	97	Exch. 11pc 1991	99½		11.05	11.23
94¼	91	Treas. 8pc 1991	93		8.53	11.13
106	102	Treas 12¾pc 1992‡‡	104		12.26	10.77
99½	95	Treas 10pc 1992	98	......	10.19	10.85
94	91	Treas. 8pc 1992 ‡‡	93		8.56	10.86
100¾	96	Treas 10½pc Cv 1992‡‡	99		10.58	10.79
85	82¼	Treas. 3pc 1992	85½		3.51	9.00
105	101¼	Exch. 12¼pc '92	103xd		11.82	10.79
109¼	104	Exch 13½pc 1992	107xd		12.60	10.71
94	90	Treas 8¼pc 1993	93¼	......	8.84	10.57
100	95	Treas 10pc 1993‡‡	98	......	10.13	10.42
108	103	Treas 12½pc 1993‡‡	106		11.76	10.47
88	84¼	Funding 6pc 1993‡‡	87xd		6.84	9.72
113¼	108¼	Treas 13¾pc 1993‡‡	111¼		12.37	10.39
94	89	Treas. 8½pc 1994	93¼	......	9.12	10.44
117	112	Treas 14½pc 1994‡‡	115xd		12.60	10.26
113	107	Exch 13½pc 1994	111	......	12.15	10.42
100	95	Treas. 10pc Ln. 1994‡‡	98	......	10.11	10.27
110¼	104	Exch. 12½pc 1994	107		11.58	10.42

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96	91	Treas 9pc 1994‡‡	95		9.47	10.22
108	102	Treas 12pc 1995	106½	......	11.27	10.38
79	74½	Exch 3pc Gas 90-95	76½	......	3.90	8.07
101	95	Exch. 10¼pc 1995	99	......	10.27	10.28
113	107	Treas 12¾pc 1995‡‡	111		11.45	10.21
119	112	Treas. 14pc '96	116	......	11.99	10.34
97½	91	Treas. 9pc 1992-96‡‡	95xd		9.43	9.96
126	119	Treas 15¼pc 1996‡‡	123		12.33	10.24
117	110	Exch 13¼pc 1996‡‡	114		11.59	10.22
101	94	Conversion 10pc 1996	99		10.07	10.13
118½	110¼	Treas 13¼pc 1997‡‡	115		11.47	10.20
104	97¼	Exch 10½pc 1997	101		10.31	10.13
95	88¼	Treas 8¾pc 1997‡‡	93xd		9.36	9.94
128	120	Exch 15pc 1997	125	......	11.98	10.34
100	93	Exch. 9¾pc 1998	98		9.91	10.02
84	78	Treas 6¾pc 1995-98‡‡	83		8.11	9.64
134	125	Treas. 15½pc '98‡‡	130xd		11.84	10.21
113	105¼	Exch. 12pc 1998	110	......	10.83	10.14
100¼	93	Treas 9½pc 1999‡‡	98		9.67	9.78
115	107½	Exch. 12¼pc 1999	112xd		10.86	10.13
105	97	Treas. 10½pc 1999	102		10.21	10.02
104	96	Conversion 10¼pc 1999	101		10.09	9.99
94	86	Treas. 8½pc Ln 2000‡‡	91		9.26	9.75
97	90	Conversion 9pc 2000‡‡	94xd	......	9.48	9.77
122	113	Treas. 13pc 2000	118		10.97	10.14
103	95	Treas 10pc 2001	100xd		9.92	9.88
124	115½	Treas. 14pc '98-01	120		11.58	10.30
102	94	Conversion 9¾pc 2001	99		9.81	9.83
113	105½	Exch. 12pc '99-02	110	......	10.84	10.18
104	96	Conversion 10pc 2002	101		9.84	9.76
102	94	Treas 9¾pc 2002	100xd		9.74	9.73
97	89	Exch. 9pc 2002	94		9.48	9.67
126	117	Treas. 13¾pc 2000-03	123	......	11.18	10.19
105	97	Treas 10pc 2003	102xd		9.73	9.64
113	104	Treas. 11½pc 2001-04	110xd		10.44	10.00
106	97	Treas. 10pc 2004	103		9.69	9.58
59	55	Funding 3½pc '99-04	58		6.04	8.54

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
36⅞	24¼	Gen. Elect. 63c	36½	+1	$1.64	—	2.8
568p	460p	♥General Host Corp $1	542p	+14	30c	—	3.5
39⅛	18¼	Gillette $1	28⅜	+½	96c	—	2.1
987p	601p	Gt American Bank Bk $1	798p	−12	60c	—	4.8
23⅝	16	Greyhound $1½	22¼	+⅛	$1.32	—	3.7
14¼	847p	Hasbro Inc 50c	14¼	+⅛	16c	—	0.7
56⅞	32¾	Honeywell $1½	56⅞	+1¼	$2.10	—	2.3
21⅛	15¼	Houston Inds.‖	21¼	+½	$2.96	—	8.8
74⅜	63	IBM Corpn $1¼	72⅞	+1½	$4.84	—	4.2
60p	45p	♥Image Storage/R.Sys.1c	55p	−3	—	—	—
30⅝	18¾	Ingersoll-Rand $2	30½	+¾	$1.20	—	2.5
33	22½	Lockheed Crpn. $1	32	+1	$1.80	—	3.6
22⅝	15	Lone Star Inds $1	22	+⅛	$1.90	—	5.5
26	17½	Louisiana Land 15c	25	+⅞	$1.00	—	2.5
19⅛	11½	Lowe's 50c	19⅛	+1⅛	48c	—	1.5
26	15	Manuf. Hanover $1	26	+⅛	$3.28	—	8.0
22⅝	13	Merrill Lynch $1	21⅛	+⅞	$1.00	—	2.9
2363p	1910p	Molex Inc	2363p	+16	3.2c	—	—
27	18⅛	Morgan (JP) $2½	26	+½	$1.66	—	4.0
101	98	Morris (Philip)	100½	+1	$4.50	—	2.8
54½	36⅛	NYNEX $1	50¼	+1¼	$4.36	—	5.4
24⅝	18¼	PHH Corp.‖	24⅛	+⅛	$1.12	—	2.9
259p	180p	♥Pacific Agr.‖	180p	......	—	—	—
27¼	19	Pacificorp $3¼	26½	+½	$2.76	—	6.3
28⅝	16⅞	Pacific Telesis 10c	28⅝	+⅛	$1.88	—	4.2
22⅛	15¼	Pall Corp. 25c	20⅞	+⅛	48c	—	1.5
55⅛	39	Pennzoil 83 1/3c	52	+½	$3.00	—	3.6
42¼	28⅛	Quaker Oats $5	40½	+⅛	$1.20	—	1.9
32⅛	23½	Rep NY Corpn $5	30	+⅛	$1.28	—	2.6
15⅛	11	Rockwell Intl. $1	14	+⅛	78c	—	3.4
35⅛	21⅝	Southwestern Bell $1	34	+⅛	$2.60	—	4.8
27⅞	17	Sun Co. Inc. $1	24⅛	+⅞	$1.80	—	4.7
30⅛	22	TRW Inc. 62½c	30½	+⅞	$1.72	—	3.6
23	14⅛	TW Services $5	23	+½	10c	—	0.3
38	26¼	Tenneco $5	38⅛	+1½	$3.04	—	5.0
35	26	Texaco $6.25	34	+½	♦$3.00	—	5.6
28	21⅝	Texas Instr. $1	24⅞	+½	72c	—	1.8
117	58⅝	Time Inc $1	90¼	+2¼	$1.00	—	0.7
18	15	TRINOVA Corp.	18	+⅞	s68c	—	2.3
24¼	16	USX $1	21	+⅛	$1.40	—	4.0
252p	126p	♥Unilab	245p	−7	—	—	—
35	22⅛	Utd. Technologies	34⅛	+¼	$1.60	—	2.9
158p	128p	♥Utilitech Inc.	149p	......	—	—	—
46½	31½	US West‖	44½	+⅛	$3.76	—	5.3
38¼	22⅝	Waste Management $1	38¼	+⅞	48c	—	0.8
20¼	13½	Whirlpool $1	19½	+⅛	$1.10	—	3.6
24⅛	16	Whitman Corp.	21⅝	+⅞	$1.02	—	3.0
41¼	28⅛	♥Woolworth $3½	41¼	+2⅛	$1.88	—	2.9

CANADIANS

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

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INSURANCES

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LEISURE

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MOTORS, AIRCRAFT TRADES

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Commercial Vehicles

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Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for *rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ø Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § *Forecast dividend; cover on earnings updated by latest interim statement.*
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	96	−1
Craig & Rose £1.. γ	830	.....
Finlay Pkg. 5p.... γ	86	−2
Holt (Jos) 25p..... γ	1330	−13

IRISH

Cap. 8½% Ln. 1991 γ	£98½	....
9pc Cap Ln. 1996. γ	£100½	....
Fin. 13% 97/02 γ	£120½	....
Arnotts.............. γ	420	....
Carrol (P J.)....... γ	160	....
Hall (R. & H.)..... γ	168	....
Helton Hldgs....... γ	92	....
Irish Ropes.... ..... γ	215	....
United Drug........ γ	150	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons ... γ	38
Amstrad ... γ	11
BAT ... γ	80
BOC Grp. ... γ	42
BSR ... γ	6½
BTR ... γ	32
Barclays ... γ	42
Blue Circle ... γ	24
Boots ... γ	25
Bowaters ... γ	44
Brit Aerospace ... γ	52
British Steel ... γ	7½
Brit. Telecom ... γ	21
Burton Ord ... γ	18
Cadburys ... γ	46
Charter Cons ... γ	48
Comm Union ... γ	32
Courtaulds ... γ	30
FKI ... γ	14
FNFC ... γ	22
Gen Accident ... γ	85
GEC ... γ	20
Glaxo ... γ	110
Grand Met ... γ	48
GUS 'A' ... γ	90
Guardian ... γ	18
GKN ... γ	34
Hanson ... γ	16
Hawker Sidd ... γ	60
ICI ... γ	100
Jaguar ... γ	28
Ladbroke ... γ	28
Legal & Gen ... γ	26
Lex Service ... γ	33
Lloyds Bank ... γ	29
Lucas Inds ... γ	55
Marks & Spencer ... γ	15
Midland Bk ... γ	30
Morgan Grenfell ... γ	24
Nat West Bk ... γ	25
P & O Dfd ... γ	55
Plessey ... γ	22
Polly Peck ... γ	26
Racal Elect ... γ	20
RHM ... γ	42
Rank Org Ord ... γ	88
Reed Intnl ... γ	34
STC ... γ	32
Sears ... γ	10
Smithkline Bchm. A ... γ	50
TI ... γ	38
TSB ... γ	10
Tesco ... γ	14
Thorn EMI ... γ	58
Trust Houses ... γ	24
T&N ... γ	18
Unilever ... γ	46
Vickers ... γ	18
Wellcome ... γ	42

Property	
Brit Land ... γ	32
Land Securities ... γ	52
MEPC ... γ	50
Randsworth ... γ	28

Oils	
Brit Petroleum ... γ	21
Burmah Oil ... γ	50
Calor ... γ	35
Charterhall ... γ	2½
Premier ... γ	9
Shell ... γ	32
Ultramar ... γ	26

Mines	
Cons Gold ... γ	150
Lonrho ... γ	30
RTZ ... γ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar retreats from firm start

THE DOLLAR failed to hold early gains yesterday in a trading session remarkable for its lack of fresh factors to influence the market. Volume was subdued (because many institutions are working with reduced staffing levels) due to the holiday season.

The US unit opened with a stronger tone, having improved in New York and Far East trading as investors saw little chance of a rise in West German interest rates. In the event, the firmer tone reflected the right sentiment, since the Bundesbank refrained from making any change to rates.

However, the dollar could not hold on to its early gains, mainly because of a lack of follow through demand. Investors were also mindful of the estimated $400m of intervention yesterday in Tokyo by the Bank of Japan. Given the lack of volume, intervention inevitably has had a greater effect on currency rates.

The dollar closed at DM1.9585 from DM1.9565 and Y143.30 compared with Y143.20. Elsewhere, it finished at SFr1.6885 from SFr1.6875 and FFr6.6100 compared with FFr6.5975. On Bank of England figures, the dollar's exchange rate index rose to 71.5 from 71.3 on Wednesday.

Sterling closed at its best level of the day, recovering from a weaker start and underpinned by the high level of UK interest rates. The pound opened on a weaker tack as investors moved into the dollar and, to a lesser extent, the D-Mark. However, the absence of both a change in West German interest rates and any important economic data for the rest of the week meant that investors turned once again to the attractions offered by sterling-based investments.

The large interest rate differential enjoyed by the pound means that 12-month sterling in spot terms is quoted at around DM2.90 against the D-Mark. This gives plenty of leeway if the pound starts to lose ground while at the same time the rate of return on 12-month Euro-sterling at 13½ per cent is nearly double that offered on the equivalent D-Mark deposit.

The pound's exchange rate index closed at 91.3 up from 91.0 at the opening and 91.2 on Wednesday. Against the dollar, sterling closed at $1.5700 from $1.5705 and DM3.0750 compared with DM3.0725. It was unchanged against the yen and Swiss franc at Y225.0 and SFr2.6500 respectively and it finished against the French franc at FFr10.3775 from FFr10.3625.

The D-Mark was a little lower at one point after the Bundesbank left its discount and Lombard rates unchanged. There was little activity during the morning ahead of the Bundesbank central council meeting and even less volume afterwards. On one of the quietest days of the year, the D-Mark managed to recover towards the close to finish at FFr3.3750 from FFr3.3710.

EMS EUROPEAN CURRENCY UNIT RATES

£ IN NEW YORK

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Short sterling improves

STERLING DENOMINATED interest rate futures gained a little ground on the Liffe market yesterday. December short sterling rose to 86.70 from 86.68. It traded in a tight range, opening at 86.64 and falling to a low of 86.63, before closing just below the day's peak of 86.71.

Dealers said the steady performance by the pound on the foreign exchanges helped sentiment, leading to buying of short sterling on the dips. The contract drew some encouragement from suggestions that the disappointing July UK trade figures may be an aberration and likely to be the subject of a large revision.

On the other hand, it was pointed out that after seven months the cumulative current account deficit is £11.5bn, against an official forecast for the full year of £14.5bn. This indicates that the average monthly shortfall for the next five months must shrink to £600m, if Treasury forecasts are to stay in line.

The closing price of short sterling was equivalent to a cash interest rate of slightly over 13¼ per cent, compared with a three-month offered rate of 13⅜ per cent, suggesting there is still some room for a fall. Traders said the market may concentrate more on the relationship of the contract to cash when it becomes the nearest to delivery later next month.

LONDON (LIFFE)

CHICAGO

Previous day's open int: Calls 363,819 Puts 350,650 (All currencies)
Previous day's volume: Calls 6,701 Puts 11,573 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat. Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Last	Feb. 90 Vol	Last	May 90 Vol	Last	Stock
Gold C	$370	113	9.50	–	–	–	–	$ 363.30
Gold C	$390	87	3	–	–	–	–	$ 363.30
Gold C	$400	50	1.90 a	10	6	–	–	$ 363.30

TOTAL VOLUME IN CONTRACTS: 43,160
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

No German move

THERE WAS some relief in dealing rooms after the West German Bundesbank left its credit policies unchanged at yesterday's council meeting. This was the first meeting since the summer recess and had been the subject of speculation about a tightening of credit policy.

Call money in Frankfurt eased to 6.80 from 6.90 per cent, but this was mainly technical.

UK clearing bank base lending rate 14 per cent from May 24

An outflow of liquidity from tax payments eased and the Bundesbank added a net DM1.1bn to the domestic money market at this week's securities repurchase tender.

As far as London interest rates are concerned, Mr Nigel Lawson, the Chancellor, told BBC Radio that "there will not be any premature reduction." He added that the period of high interest rates will have to last "for some little time". The Bank of England has been particularly keen to keep day-to-day credit conditions tight in London recently, partly to support sterling and also to underline the 14 per cent base rate level.

The central bank provided about the right amount of funds to take out yesterday's forecast shortage, but only by use of late assistance. This has the effect of keeping overnight rates high until the late afternoon, while the market noted that the recent late help has sometimes been supplied at penal rates above the current base rate level. Overnight funds finished around 14 per cent. Three-month interbank was unchanged at 13⅞-13¾ per cent.

The Bank of England initially forecast a credit shortage of £1,200m, but revised this to £1,250m in the afternoon. Total help of £1,213m was provided. Early assistance was offered to the market and at that time the Bank of England bought £627m bills, by way of £27m Treasury bills in band 1 at 13⅞ per cent; £600m bank bills in band 1 at 13⅞ per cent. Another £297m bills were purchased before lunch, via £62m Treasury bills in band 1 at 13⅞ per cent; £85m bank bills in band 1 at 13⅞ per cent; and £150m Treasury bills in band 2 at 13⅞ per cent.

In the afternoon the authorities bought £79m bills, through £1m Treasury bills in band 1 at 13⅞ per cent; £1m Treasury bills in band 2 at 13⅞ per cent; and £77m bank bills in band 2 at 13⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,020m, with Exchequer transactions absorbing £75m; a rise in the note circulation £115m; and bank balances below target £10m.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
341	295	Ass. Brit. Ind. Ordinary	340	0	10.3	3.0	9.2
38	28	Armitage and Rhodes	30	0	-	-	-
47	25	BBB Design Group (USM)	44xd	0	2.1	4.7	10.7
210	149	Bardon Group (SE)	202xd	0	4.3	2.1	34.5
124	105	Bardon Group Cv. Pref. (SE)	124	0	6.7	5.4	-
123	94	Bray Technologies	95	0	5.9	6.2	8.4
110	105	Bremhill Conv. Pref	105	0	11.0	10.5	-
104	100	Bremhill 8¼% New C.C.R.P	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	170	0	14.7	8.6	-
220	140	Carbo Plc (SE)	220	0	7.6	3.5	12.9
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	3.25	Magnet GP Non-Voting A Cnv*	3.25	0	-	-	-
5	1.25	Magnet GP Non-Voting B Cnv*	1.25	-0.25	-	-	-
130	119	Isis Group	130xd	0	8.0	6.2	7.4
145	58	Jackson Group (SE)	117	0	3.6	3.0	13.6
322	261	Multihouse NV (AmstSE)	305	0	-	-	-
152	98	Robert Jenkins	152xd	0	10.0	6.6	5.5
467	403	Scruttons	465xs	0	18.7	4.0	12.4
290	270	Torday & Carlisle	289	0	9.3	3.2	10.1
117	100	Torday & Carlisle Cnv Pref	110	-2	10.7	9.7	-
122	92	Trevian Holdings (USM)	104xd	-1	2.7	2.6	11.2
134	106	Unistrut Europe Conv Pref	134xd	0	9.3	6.9	-
395	355	Veterinary Drug Co. Ltd	385	0	22.0	5.7	9.4
370	327	W.S Yeates	336	-2	16.2	4.8	20.0

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA.
These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co Limited nor Granville Davies Limited are market makers in these securities.
* These securities are dealt on a restricted basis. Further details available.

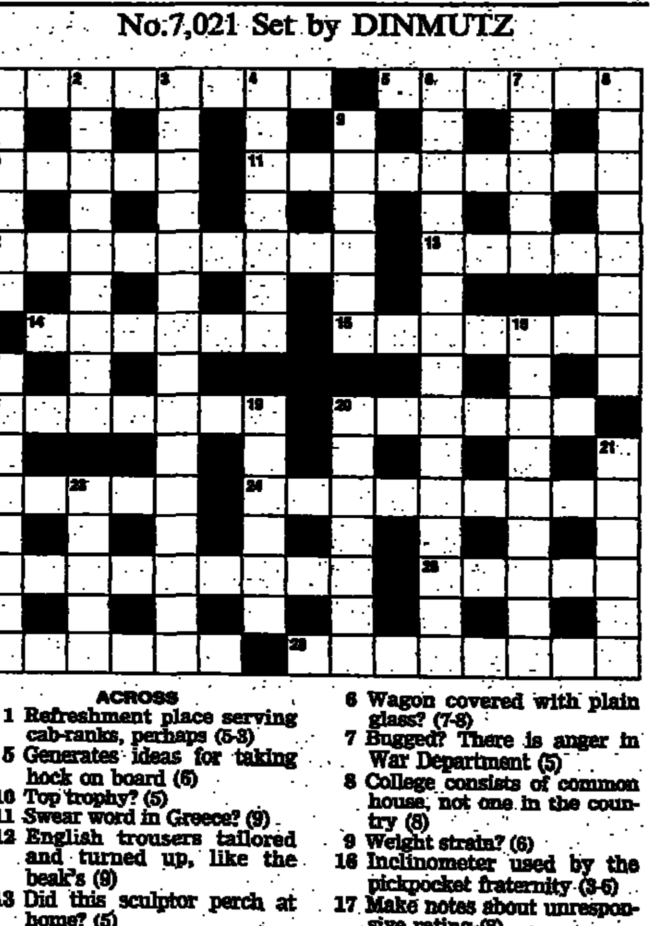
FT 30	FTSE 100	WALL STREET
Aug. 1962/1971 -21	Aug. 2378/2388 -15	Sep. 2700/2712 +15
Sep. 1969/1978 -21	Sep. 2386/2396 -14	Oct. 2715/2727 +15

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

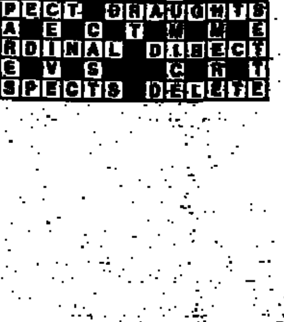
No.7,021 Set by DINMUTZ



ACROSS
1 Refreshment place serving cab-ranks, perhaps (5-3)
5 Generates ideas for taking hock on board (6)
10 Top trophy? (5)
11 Swear word in Greece? (9)
12 English trousers tailored and turned up, like the beak's (9)
13 Did this sculptor perch at home? (5)
14 It's a boy – newly arrived (6)
15 Poet not economical in style? (7)
18 Defeats reported in autumnal contests (7)
20 Instructions for cooking rice on Peruvian's plate (6)
22 Girl turning out daffy (5)
24 Adding up the bill (9)
25 Case not sent home? (2-7)
26 The Hole in the Wall, in scenic Herefordshire (5)
27 Congregate to chew the rag (6)
28 Reckless sort of office-girl? (8)

DOWN
1 Kentish remedy that is safe (6)
2 Change of direction for sailor, not accurate over manoeuvre (5-4)
3 Sovereign to keep? (4,2,3,6)
4 Anitra's dance for craftsman (7)
6 Wagon covered with plain glass? (7-8)
7 Bugged? There is anger in War Department (5)
8 College consists of common house, not one in the country (8)
9 Weight strain? (6)
16 Inclinometer used by the pickpocket fraternity (3-6)
17 Make notes about unresponsive rating (8)
19 A lot written for Sunday system of belief (6)
20 Article about musical performance (7)
21 Way out for dark lady losing bead (6)
23 Drank heavily, standing up in warehouse (5)

Solution to Puzzle No.7,020



WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Aug 23	Aug 22	Aug 21	Aug 18	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2678.11	2650.99	2647.08	2687.97	2712.63 (10/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.02	93.04	93.10	92.99	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1437.77	1433.50	1438.12	1442.39	1442.39 (18/8)	959.95 (3/1)	1442.39 (18/8/89)	12.32 (8/7/32)
Utilities	216.30	213.34	213.91	216.95	221.64 (8/8)	181.64 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2683.61 (2659.71) Low 2641.12 (2619.88)

STANDARD AND POOR'S	Aug 23	Aug 22	Aug 21	Aug 18	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	344.70	341.19	340.67	346.03	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	394.64	390.50	389.55	395.84	399.68 (8/8)	318.66 (3/11)	399.68 (8/8/89)	3.62 (21/6/32)
Financial	32.63	32.59	32.61	33.12	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	191.84	190.11	189.97	192.64	194.23 (8/8)	154.98 (3/1)	194.23 (8/8/89)	4.46 (25/4/42)
Amex Mkt. Value	377.70	375.86	376.58	379.18	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	461.68	458.36	458.33	461.97	463.55 (10/8)	378.56 (3/1)	463.55 (10/8/89)	54.87 (31/10/72)

	Aug 18	Aug 11	Aug 4	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.43	3.41	3.79
	Aug 16	Aug 9	Aug 2	year ago (approx.)
S & P Industrial div. yield	2.87	2.86	3.28	3.29
S & P Indl. P/E ratio	14.44	14.49	14.43	13.57

TRADING ACTIVITY † Volume (Millions)

	Aug 23	Aug 22	Aug 21
New York	160.213	143.389	136.226
Amex	14.186	11.561	11.788
OTC	139.687	119.829	108.624

NEW YORK	Aug 23	Aug 22	Aug 21
Issues Traded	1,982	1,989	1,958
Rises	1,015	635	371
Falls	487	823	1,164
Unchanged	480	531	423
New Highs	64	38	44
New Lows	12	20	19

CANADA

TORONTO	Aug 23	Aug 22	Aug 21	Aug 18	1989 High	1989 Low
Metals & Minerals	3769.9	3745.3	3747.3	3790.1	3790.1 (18/8)	3207.5 (3/1)
Composite	3942.1	3935.4	3960.5	3981.9	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1998.41	1990.64	2001.45	2014.62	2035.23 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Marion Labs	4,521,200	35½	– ⅛
Maytag	3,191,000	25	+ ¼
Spain Bus	2,812,500	1/32	---
Global Mar	2,738,800	1⅞	+ ⅛
Phillips Pet	2,250,100	25¼	+ 1⅞
Texas Utilities	1,945,300	32⅛	+ ½
Eastman Kodak	1,882,000	50⅜	+ 1
Rowan	1,737,200	9⅞	+ ⅜
Occidental Pet	1,496,500	29⅛	+ ½
Am Family	1,473,700	17⅛	– ⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 24	Aug. 23	Aug. 22	Aug. 21	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1747.4	1738.0	1724.6	1722.5	1747.4 (24/8)	1412.9 (7/4)
All Mining (1/1/80)	841.9	830.4	816.3	813.2	841.9 (24/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	412.67	407.18	401.51	397.51	412.67 (24/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6439.47	6423.19	6470.19	6483.89	6483.89 (21/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	340.14	339.85	341.76	343.30	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	783.5	785.0	783.4	779.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	516.5	509.7	509.7	506.3	516.5 (24/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	122.8	121.0	120.6	121.3	122.8 (24/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	657.71	658.29	689.71	658.13	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1969.5	1969.8	1974.4	1970.0	1998.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1592.04	1586.48	1600.62	1603.01	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2499.08	2521.39	2543.56	2528.75	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	723.12	718.29	721.97	720.41	723.12 (24/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34786.55	34893.28	35114.35	35140.8	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2630.97	2644.02	2653.45	2659.08	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	263.2	261.2	262.5	264.7	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	204.4	283.0	204.0	205.9	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	666.47	659.98	665.90	655.41	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1357.26	1376.74	1370.86	1387.01	1387.01 (21/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1640.0‡	1653.0	1643.0	1664.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2836.0‡	2833.0	2828.0	2824.0	2836.0 (24/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	318.50	315.76	315.81	314.74	318.50 (24/8)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4501.2	4441.4	4442.7	4544.0	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	818.7	815.3	811.2	811.4	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	537.2	535.5	536.9	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Thursday August 24

	Stocks Traded	Closing Prices	Change on day
NKK	8.59m	803	+0
Japan Steel Works	8.01m	1,230	+60
Kawasaki Steel	5.08m	1,020	+34
Sekisui House	4.35m	2,350	–40
MHI	7.59m	1,190	–10
Honda	6.82	2,040	–80
Nippon Steel	4.52m	825	+5
Lion	8.01m	1,250	+40
Toshiba	5.21m	1,340	+10
Nisshin Steel	4.53m	1,610	–30

3pm prices August 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

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NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
12⅝	8⅝	Robien				117	12¼	12⅛	12¼	
33½	21⅞	vjRobins			15	423	33½	33	33½	+ ⅜
21⅝	16⅝	RochG	1.50	7.4	11	170	20⅝	20⅛	20⅝	+ ⅛
90	45½	RochTl	2.84	3.2	20	131	88¼	85¾	88	+2½
20¾	16½	RckCtr	1.84	9.3	16	306	19⅞	19⅝	19⅞	+ ⅛
23⅝	18⅝	Rockwl	.76	3.4	7	3544	23	22⅞	22⅞	+ ⅛
9⅝	4⅞	RodRen				121	6⅝	6¼	6¼	
37¼	30¾	RoHaas	1.20	3.5	11	1079	34⅞	34⅛	34⅝	+ ⅝
37⅞	25⅝	Rohr			16	515	31⅛	30¾	31⅛	+ ⅜
16⅞	9	RollinE	.08	.7		4049	11⅛	10⅞	11	+ ⅛
21	15⅞	Rollins	.54	3.0	18	133	18⅛	17⅞	18	
48¼	34	Rorer	.80	1.7	23	4258	45⅞	45⅝	45⅞	+ ⅛
9½	4½	Rowan				5917	u 9⅞	9¼	9⅜	
69¼	62⅛	RoylD	a3.32e	5.0	6	7719	66⅛	65⅞	66⅛	+ ⅛
16	8¾	Roylnt	.20a	1.8	12	92	11⅜	11⅛	11⅛	− ⅜
9⅞	7⅛	Royce	.51e	5.3		131	9⅞	9⅝	9⅝	
35⅞	22	Rubmd	.44	1.3	23	1428	33¼	32⅞	33¼	+ ½
21¼	16¼	RussBr	.40	2.4	23	62	16½	16⅛	16½	+ ⅛
15	12⅛	RussTg	.60	4.2	71	203	14⅜	13⅞	14⅜	+ ⅛
24⅞	14⅞	Russell	.28	1.2	17	305	24⅜	23⅝	24⅜	+ ⅜
31⅛	22⅝	Ryder	.60	2.1	14	4249	28½	27⅞	28¼	+ ½
29½	22	Rykoff s	.60	2.1	17	76	29	28½	28⅞	+ ⅜
24⅞	14⅜	Ryland	.60	2.4	8	377	u25⅛	24⅝	25⅛	+ ⅛
14⅞	8⅝	Rymer				76	u14½	14	14⅛	+ ⅛
10⅛	7¾	Rymr pf	1.17	12.		122	10⅛	9¾	9⅞	− ⅜
− S − S − S −										
37⅞	31	SCEcp	2.68	7.0	10	2098	38½	38	38⅜	+ ⅛
11½	6⅞	SCOR U	.20e	1.9	8	98	10⅞	10½	10⅝	+ ⅛
9⅝	7½	SL Ind	.16	1.9		10	8¼	8⅛	8¼	+ ⅛
35¼	22⅞	SPX Cp	1	3.0	6	313	33½	32⅝	33⅜	+ ⅞
36⅝	19	SSMC				3	29¼	29	29¼	+ ⅛
22½	13¼	Saatchi	.67e	6.8	6	2734	15	14¾	15	
[illegible]										
4⅛	2	Zapata				802	2⅞	2⅝	2¾	+ ⅛
22⅝	16⅛	ZenithE				1079	17⅜	17	17	
10⅝	8⅞	Zenlac	1.26	14.		144	9⅛	8⅞	9	− ⅛
2⅝	1⅛	vjZenLb				468	1⅝	1¼	1½	
20¼	15	ZenNtl	.84	4.4	9	8	19¼	19¼	19¼	
22⅞	14⅛	Zero	.50	2.3	17	40	22	21⅞	22	+ ⅛
44¼	21¼	Zurnin	.68	1.7	19	491	39⅞	39½	39⅞	+ ½
12	10	Zweig	1.09e	9.3		294	11⅝	11⅝	11¾	+ ⅛
10⅛	8¾	Zweig n	.96	10.		1237	9⅝	9½	9½	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the *previous 52 weeks plus the current week, but not the latest* trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 24

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Presd B			183	25 u 6½	6⅛	6½	+ ⅝
Presd A	.10		71	u 6⅞	6½	6⅞	+ ⅜
ProCm s			58	6⅞	6¾	6⅞	
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 24

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES

FINANCIAL TIMES FRIDAY AUGUST 25 1989

Friday August 25 1989

AMERICA

Dow nears peak on second anniversary of record high

Wall Street

ANOTHER substantial rally yesterday set the stage for the Dow Jones Industrial Average to hit a new all-time high, precisely on the second anniversary of its previous peak, *writes Janet Bush in New York.*

At 2 pm, the Dow was quoted 33.38 points higher at 2,711.50 compared with its all-time high on August 25, 1987, of 2,722.42.

The explosive rally yesterday morning had some of the characteristics of the rampant bull market which took stock prices to their peaks of autumn, 1987, and set the stage for the October crash. Among these were a heavy dose of stock index arbitrage and a burst of speculative activity.

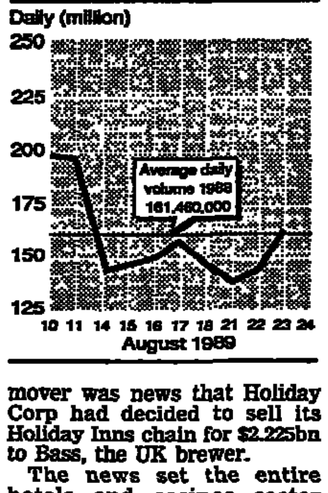
As on so many occasions recently, cash stocks profited from a movement started in the bond futures market which fed into Standard & Poor's 500 futures contracts and then into their underlying stocks. The Treasury bond market was quoted around ⅛ point higher at midsession, an impressive performance given that there were auctions on each of the first four days of this week.

Volume on the New York Stock Exchange was much heavier, with 131m shares traded by mid-session. Yesterday's sharp price gains added to the rally on Wednesday of 27.12 points on the Dow.

Market expectations have now been well and truly raised that the Dow will surmount its all-time high. The mid-month attempt to close above that record led to a substantial correction. Earlier this week, the market seemed to hit solid ground at around 2,650, and it has surged ever since. A second failure could make further progress difficult.

Apart from arbitrage, the equity market received a significant boost from a burst of takeover activity. A prime mover was news that Holiday Corp had decided to sell its Holiday Inns chain for $2.225bn to Bass, the UK brewer.

NYSE volume



The news set the entire hotels and casinos sector alight. Holiday Corp surged $7¾ to $84¾ while Marriott added $1⅝ to $40⅝ and Golden Nugget gained $1¾ to $30⅛.

Among blue chips, IBM added $¾ to $114⅝, General Motors gained $1¼ to $45⅞, Sears Roebuck rose $⅞ to $45¾ and Philip Morris $⅞ to $158.

International Flavours & Fragrances surged $5 to $69 on rumours of a possible bid for the company by a West German company. International Minerals & Chemicals built on Wednesday's $4⅞ jump, adding another $1⅛ to $54⅞ amid rumours, doubted by many market professionals, of a takeover bid by Britain's Wellcome.

Prime Motor Inns jumped $1½ to $37 after the company reported net income of 66 cents a share for the quarter ended June compared with 60 cents a share a year earlier.

In over-the-counter trading, L.M. Ericsson Telephone, the Swedish company, leapt $11¼ to $114⅞ after reporting a 73 per cent gain in pre-tax income in the first half from a year ago. The company said it and General Electric had formed a joint venture in mobile communications.

Eastman Kodak added $⅛ to $50⅞ after details emerged of the company's fourth restructuring since 1983.

Canada

ACTIVE trading in Toronto took its cue from Wall Street, with share prices making strong gains. The composite index climbed 27.4 to 3,969.4, with advances leading declines by 268 to 222 on volume of 16.6m shares.

Toronto Dominion, the first of the big Canadian banks to report third quarter earnings, was actively traded after announcing improved profits, and gained C$¼ to C$21⅞.

Alcan was active, rising C$⅝ to C$29⅝. The company said there were no corporate developments to account for the increase in trading in its shares.

Turkey makes a play for foreign attention

Government measures have boosted confidence in Istanbul, writes Jim Bodgener

ISTANBUL'S minuscule stock exchange is finally looking up, following a rather erratic performance since it was revamped in 1986.

Earlier this month, it was given a shot in the arm when Mr Turgut Ozal, the Prime Minister, announced measures to take the lira further down its long road to convertibility.

The package allows foreigners to purchase Turkish stocks and bonds freely, with guaranteed transfer of the proceeds. It also includes permission for Turkish nationals to purchase equities and bonds from stock exchanges in London, Zurich, Frankfurt, New York and Tokyo, bought through banks in Turkey and paying with lira.

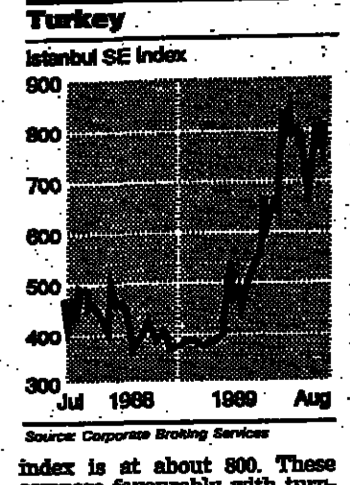
The reaction has been mixed from business and finance, with some people doubtful about external demand for Turkish equity. Mr Sedat Atkin, manager of brokers Yatirim Finansman, said: "I think the bottom line will be the differentials pertaining between real interest rates in Turkey and those in Europe and the US." The annual inflation rate in Turkey at the end of July was 72 per cent.

However, there is optimism on the exchange itself. "We don't expect any immediate upsurge," said a senior official yesterday. "But the signals are there that foreign investors are studying the market profile with renewed interest."

Mr Tony Ewell of Corporate Broking Services, a London-based specialist in emerging markets, said that high interest rates and an effective 24-hour settlement system were a problem. But the new measures meant there was now no difficulty for foreigners in getting their money out. Overseas interest would build up, he said: "I rather think it will be a trickle that goes to the stream and then to the river."

Daily trading volume is holding steady at between TL2bn ($919,000) and TL4.5bn and the index is at about 800. These compare favourably with turnover of only TL300m and an index at about 350 in the latter part of 1988, when shares lagged because better yields were available from government securities, deposits and foreign exchange. In 1989, these factors have reversed and the exchange has enjoyed a moderate bull market throughout the first half of the year.

Turkey



Source: Corporate Broking Services

Although most shares are still way below their levels before the 1987 crash, there have been some good performers this year, such as steelmaker Erdemir, which has soared by 450 per cent.

The Government is considering a second exchange, in the Aegean port of Izmir, while a $60m Turkey Fund to sell blocks of shares, mainly from the Government's privatisation programme, is moving steadily towards flotation.

Another boost may be amendments to the capital markets law, drawn up by the watchdog Capital Markets Board and currently before parliament. These include the introduction of rating agencies and secondary bond trading.

For the first time, the regulations will enshrine the concept of the illegality of insider trading – to do more than that at this stage might bring about the exchange's collapse.

Exchange officials hope that the steadily rising prices will persuade more of Turkey's family-run industries to release jealously guarded equity. Only 5 per cent of the quarter of Turkish industry in family ownership is traded on the exchange, according to its president, Mr Muharrem Karsli.

With the foreign exchange sector becoming overbanked, the stock exchange is a natural arena for institutions seeking other lucrative niches. Mutual funds operated by the banks which were investing primarily in government and corporate bonds have also been stripped of privileged incentives.

Ironically, too, gold dealers from the illicit but tolerated 'tahtakale' foreign exchange black market moved into the stock exchange when the introduction of a central bank gold and precious metals market knocked the bottom out of that for smuggled gold, particularly through Bulgaria.

EUROPE

Paris takes off at start of monthly account

A STRONG day in Europe brought a spate of new highs and a fading of interest rate fears, *writes Our Markets Staff.*

PARIS leapt on the first day of the monthly account and shares closed with a 1.8 per cent gain in spite of industrial action by bourse workers which held up the start of trading for about two hours.

There are hopes of a good account, with investors returning from their summer holidays and August having been soporific. Buying was encouraged further yesterday by the strength of Wall Street on Wednesday night and by speculative activity.

Bon Marché, the department store company, jumped FFr120, or 13 per cent, to FFr1,020. Recent estimates have put a high value on the company's property assets and 17 per cent of the capital has changed hands in the past week, according to one analyst.

In insurance, the active sector of the past two weeks, Groupe Victoire fell a further FFr50 to FFr1,800 as investors chose to lock in at least part of their profits on the 88 per cent surge in the price on Tuesday. Cie Industrielle, Victoire's main shareholder for which Suez is initially bidding, failed to be quoted again due to excessive demand.

Midi, meanwhile, climbed FFr43 to FFr1,400 on positive reactions to the possibility that Axa-Midi will win Farmers, the US insurance subsidiary of BAT, if the Hoylake bid for BAT succeeds. Midi also forecast a sharp rise in 1989 profits.

The OMF 50 index climbed 9.13 to 517.11 and the CAC General index, based on opening prices, reached a record high of 516.5, up 6.76. Turnover was estimated at a healthy FFr2.5bn or more.

MADRID hit a year's high in reasonable turnover, with several remarkable rises in the construction sector and a sharp revival in investor confidence. The general index rose 2.74 to 318.50, making a 1989 record for the first time since June 12. Turnover was estimated at $80m.

One analyst attributed the gains to a sudden conviction by investors that a general election would be held early – at the end of October – paving the way for a tough fiscal package which would lead to lower interest rates.

Construction stock Huarte surged 100 percentage points to 540 per cent of par. Repsol, the oil group, was up 2.5 at 497 after higher 1988 profits.

AMSTERDAM regained ground thanks to Wall Street's strength and US interest in the Dutch market. The CBS tendency index rose 0.5 to 195.4, in moderate turnover of Fl 699m.

But there was more disappointment in the trading sector, with conglomerate Internatio-Muller falling Fl 7.70, or 7 per cent, to Fl 100.50 after reporting higher first half results and a rights issue. An analyst said that after stripping out extraordinary items, the earnings were flat.

Ahold, the retailer, rose Fl 4 to Fl 144 in the day's second most active trading as speculation spread that Asko of West Germany would mount a hostile bid after building up a 14 per cent stake in the company.

NMB, the banking group, rose Fl 1 to Fl 281 after going ex a Fl 5.80 interim dividend following its higher first half results on Tuesday.

FRANKFURT had a good start to the day, a nervous middle on interest rate worries and a modest rebound towards the end – all of this happening before the Bundesbank announced its decision to leave its key rates unchanged.

The FAZ index was off 0.58 at 657.71 and the DAX index rose 5.56 to 1,592.04 in lower volume of DM3.6bn.

Equities climbed in the morning on excellent earnings reports by the chemical concern, BASF, and the engineering group, Mannesmann. BASF exceeded market expectations and rose DM3 to DM301, pulling other chemical shares higher, Bayer climbing DM2.40 to DM311.50; even Hoechst, which had a second-quarter earnings drop last week, edged up 70 pfg to DM298.

Mannesmann climbed steeply at the opening on a 28 per cent rise in first half net income, eased on profit-taking and ended DM2.10 up at DM260.

A UBS Phillips & Drew review of economic prospects for Continental Europe, which predicted the status quo for German interest rates yesterday, also forecast a rise in Lombard and discount rates to 7.5 and 5.5 per cent before the end of this year.

MILAN bounced back from Wednesday's downward technical correction to test new 1989 highs, featuring strong demand for the Agnelli family holding company, IFI, whose preference shares rose L1,000 to L26,850 on Wednesday's news of a planned share buy-back. Other Agnelli-related shares were also higher, with Fiat climbing L213 to L11,790.

The Comit index rose 4.83 to 728.12 in heavy trading.

ZURICH edged higher, the Crédit Suisse index rising from an adjusted 675.9 to 676.5. Engineering shares were in demand, in a delayed reaction to a report from the Swiss Association of Machinery Manufacturers which said earlier this week that new orders increased by 16 per cent in the first half of 1989.

STOCKHOLM rallied after a spell of five losses, with Ericsson seizing the helm as its free B shares gained SKr15 to SKr704 in anticipation of a profits surge.

The telecommunications company later announced a 164 per cent advance in first-half pre-tax profits. It also announced a tie-up with General Electric of the US, aimed at producing a world leader in the mobile business communications and telephones market.

BRUSSELS continued to be sustained by speculative interest, ending slightly higher in moderately active trading. Sugar refiner Raffinerie Tirlemontoise, a feature for several weeks, rose BFr25 to BFr2,835 on volume of 43,800 shares. The chief executive has denied that a takeover bid for the company is being considered.

COPENHAGEN focused on large industrials and companies reporting results. East Asiatic, the trading, transport and consumer goods group, eased DKr3.10 to DKr317.10 after saying it planned a rights issue and announcing first-half profits up 32 per cent.

ASIA PACIFIC

Political uncertainty hits turnover as Nikkei falls

Tokyo

ACTIVITY on the Tokyo market reached a low ebb yesterday, as fears of political instability discouraged many investors, *writes Yuriko Mita in Tokyo.*

Index buying, which pushed the 225-issue Nikkei average higher at the opening, soon dried up as traders complained of a lack of incentives. The Nikkei closed down 106.73 at 34,786.55 after reaching a high of 34,957.78 and a low of 34,662.53.

Advances outnumbered declines by 536 to 348 while 215 issues remained unchanged. Volume fell to a very low 390m shares from Wednesday's 545m. The Topix index of all listed issues lost 13.05 to 2,630.97 and in London trading the ISE/Nikkei 50 index eased 1.87 to 2,079.76.

Revelations that a senior cabinet minister might have to resign over an affair with a bar hostess caused the yen to weaken and affected financial issues and large-capital stocks such as steels and shipbuildings. Dai-ichi Kangyo Bank lost Y30 to Y3,790 and Sumitomo Bank fell Y30 to Y3,790.

Firming prices of copper and zinc contributed to a strong performance by Dowa Mining, which rose Y10 to Y920. Investors were further encouraged by a rumour that Dowa might resume dividend payments.

Nippon Suisan, the commercial fishing and frozen food group, attracted interest following a report that sales of frozen foods are expected to increase by 6 per cent a year because of the increasing number of women entering the workforce. The issue gained Y10 to Y903.

Recently, the Tokyo market has been moving on rotational buying of stocks with low price earnings ratios. Last week, attention turned to foods, such as Yakult Honsha, a producer of lactic acid products. The issue rose to an all-time high of Y4,040 yesterday morning before profit-taking drove it down to Y3,990, up Y60.

Institutional investors have been shopping for Osaka and Nagoya-based companies, as their price earnings ratios are generally lower than those of Tokyo-based companies. Danto, an Osaka-based wall and floor tile maker, advanced to a record Y2,850 before closing at Y2,800, up Y50.

Declines were recorded in Osaka, as the OSE average lost 173.33 to 34,910.99. Volume at 71m shares was down on Wednesday's 84m.

Roundup

THE FAR EAST rumour mills were hard at work yesterday and Asia Pacific markets seemed to take their cue from that – some sliding, and others getting an almost reciprocal lift.

HONG KONG continued its downturn amid continued uncertainties about the health of the Chinese leader, Deng Xiaoping. The Hang Seng index dropped 22.31 to 2,499.08 in turnover of HK$622m, only slightly up on Wednesday's seven-week low of HK$605m.

There was a dichotomy of views about the Chinese political situation. Some traders said that investors were using the rumours to take profits; others that the hard line was going to win through in Peking and that there were extremely turbulent times ahead.

In the corporate sector, improved first-half results from Hutchison Whampoa and Cheung Kong included big extraordinary profits below the line. Observers speculate that they might be setting themselves up to bid for a infrastructure project this autumn. Hutchison eased 10 cents to HK$8.15 and Cheung Kong was unchanged at HK$7.95.

SINGAPORE, which had been drifting up for a couple of days, saw the Straits Times industrial index lose 19.48 to 1,357.26 on a sheaf of rumours.

At domestic level, these included a cabinet reshuffle, government or civil service corruption and a compromised government minister; China jitters and a Japanese sex scandal featured abroad. "Japan's not just exporting technology," said one analyst yesterday.

AUSTRALIA rose, as resource issues continued their surge on a wave of offshore buying support in heavy trade. Brokers said that nervousness over the direction of the Japanese market might be helping to fuel the advance.

The All Ordinaries index firmed 9.5 to 1,747.4, its second consecutive post-crash high, as turnover jumped to 170m shares valued at A$294m, from 139m and A$206m on Wednesday.

Renison Goldfields jumped 14 cents to A$8.64 on annual net operating profits more than doubled to A$100.4m.

NEW ZEALAND saw the Barclays index decline 34.90 to 2,374.43 in light volume, in a correction after its recent rally, before the news of Sir Ron Brierley's resignation as chairman of Brierley Investments. Traders said that it would be interesting to see how the market reacted to the news today. Brierley fell 5 cents to NZ$2.46.

SOUTH AFRICA

GOLD shares eased in Johannesburg yesterday in quiet trading, reflecting a lower bullion price. Financial and industrial issues held up well, however. In golds, Vaal Reefs lost R6 to R330 and Kloof fell 25 cents to R37.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 23 1989						TUESDAY AUGUST 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	152.72	+1.1	144.17	132.71	+1.0	4.69	151.03	141.31	131.44	157.12	128.26	151.30
Austria (19)	140.45	+2.1	132.58	142.62	+1.9	1.70	137.60	128.75	139.96	140.45	92.84	85.33
Belgium (63)	132.46	-0.3	125.04	133.76	-0.3	4.14	132.86	124.32	134.18	137.97	125.58	110.18
Canada (124)	150.12	+0.1	141.71	127.78	+0.1	3.16	150.04	140.39	127.44	153.59	124.67	118.57
Denmark (36)	198.51	-0.5	187.40	204.86	-0.4	1.53	199.45	186.62	205.73	219.89	165.35	121.82
Finland (25)	137.82	+0.7	130.10	127.03	+0.3	2.16	136.87	128.07	126.62	159.16	125.81	121.53
France (126)	126.06	-0.2	119.02	130.48	-0.5	2.89	126.36	118.23	129.57	133.44	112.57	90.27
West Germany (100)	95.84	-1.0	90.47	97.48	-0.3	2.09	96.82	90.59	97.73	100.53	79.56	73.14
Hong Kong (45)	105.68	-0.8	99.77	105.92	-0.8	5.13	106.58	99.71	106.81	140.33	86.41	102.66
Ireland (17)	151.06	-1.3	142.62	158.95	-0.9	2.69	153.11	143.26	157.30	168.69	125.00	131.09
Italy (97)	94.29	-1.1	89.01	98.57	-0.5	2.28	95.31	89.18	99.06	95.31	74.97	71.53
Japan (455)	185.36	-0.9	174.99	167.79	-0.4	0.47	187.01	174.98	168.51	200.11	164.22	161.05
Malaysia (36)	191.06	+0.5	180.37	197.72	+0.3	2.46	190.09	177.87	197.16	193.38	143.35	140.07
Mexico (13)	281.72	-0.5	265.95	785.44	-0.5	0.64	283.24	265.03	789.70	283.24	153.32	149.41
Netherland (43)	124.51	-1.3	117.54	125.30	-0.5	4.13	126.10	117.99	125.90	130.67	110.63	101.15
New Zealand (20)	86.04	+0.7	81.22	77.14	+0.6	4.48	85.43	79.94	76.69	88.04	62.64	76.91
Norway (24)	179.71	+0.0	169.65	173.65	+0.3	1.49	179.70	168.14	173.11	198.39	139.92	110.97
Singapore (26)	169.48	+0.1	159.05	152.48	+0.1	1.83	168.28	157.45	152.30	170.62	124.57	122.34
South Africa (60)	150.37	+0.4	141.95	141.99	+0.8	3.92	149.81	140.18	140.86	154.97	115.36	114.35
Spain (43)	156.19	-0.5	147.44	144.47	-0.7	3.57	156.53	146.45	144.49	158.06	143.14	143.27
Sweden (35)	178.24	-0.4	168.26	174.21	-0.2	2.00	178.93	167.42	174.56	188.94	138.45	112.33
Switzerland (54)	91.22	+0.4	86.11	95.43	+1.2	1.98	90.88	85.04	94.29	94.16	67.81	75.10
United Kingdom (306)	153.68	-0.5	145.08	145.08	+0.4	4.63	154.44	144.50	144.50	158.41	133.28	127.83
USA (550)	140.36	+1.1	132.51	140.36	+1.1	3.26	138.90	129.96	138.90	142.07	112.13	106.83
Europe (1001)	128.05	-0.5	120.88	125.72	+0.2	3.27	128.75	120.47	125.50	132.62	112.63	102.15
Nordic (121)	166.50	-0.3	157.27	159.58	-0.2	1.79	167.11	156.36	159.89	178.38	137.95	107.94
Pacific Basin (670)	181.25	-0.8	171.10	164.21	-0.4	0.70	182.72	170.96	164.84	194.72	160.44	158.33
Euro - Pacific (1671)	160.07	-0.7	151.11	148.74	-0.2	1.54	161.23	150.86	149.04	166.98	141.58	135.87
North America (674)	140.85	+1.0	132.96	139.58	+1.0	3.25	139.46	130.49	138.19	142.64	112.79	107.26
Europe Ex. UK (693)	111.87	-0.6	105.60	113.79	+0.0	2.69	112.53	105.29	113.78	116.26	96.30	86.20
Pacific Ex. Japan (215)	131.81	+0.5	124.43	119.48	+0.4	4.50	131.18	122.75	119.04	137.85	111.93	125.59
World Ex. US (1868)	159.70	-0.7	150.76	148.19	-0.2	1.61	160.81	150.46	148.46	166.35	141.49	135.07
World Ex. UK (2110)	151.55	-0.1	143.07	145.55	+0.2	1.96	151.68	141.92	145.26	155.66	136.98	123.69
World Ex. So. Af. (2356)	151.73	-0.1	143.24	145.51	+0.2	2.14	151.92	142.15	145.20	155.92	136.67	124.10
World Ex. Japan (1963)	135.92	+0.4	128.31	134.19	+0.7	3.31	135.36	126.65	133.29	138.23	114.51	106.30
The World Index (2416)	151.72	-0.1	143.23	145.48	+0.2	2.15	151.91	142.14	145.16	155.89	136.68	124.04

Latest prices were unavailable for this edition.
Constituent change 24/8/89: Deletion: Ward White (UK).